marimekko

Financial Statements 2019

Renowned for bold prints

Marimekko is a Finnish lifestyle design company whose original prints and colours have brought joy to people's everyday lives since 1951. Our product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware.

Timelessness has been the cornerstone of our design since the very beginning. Marimekko is not about fast fashion. We aim to offer our customers long-lived products that they will not want to throw away. In best cases, our products are passed on from one generation to the next.

When Marimekko was founded, its unparalleled printed fabrics gave it a strong and unique identity. Even today, we have our own printing factory in Helsinki that produces around a million metres of fabric every year. The printing mill serves both as a factory and as a creative hub for our design and product development team.

In 2019, brand sales of our products worldwide amounted to 251 million euros and our net sales were 125 million euros. There are roughly 150 Marimekko stores in 15 countries, and online store serves customers in 32 countries. Flagship stores are located in Helsinki, Stockholm, New York, Tokyo and Sydney. Our key markets are Northern Europe, North America and the Asia-Pacific region, and we approach them through key cities. We employ about 450 people. The Marimekko share is quoted on Nasdaq Helsinki Ltd.

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From the President and CEO

Marimekko's strong development continued in 2019. Our net sales increased in all market areas and comparable operating profit improved significantly. We are in a good position to enter the new decade and continue our efforts on the path of our long-term international growth strategy.

Our goal in the strategy period extending to 2022 is to achieve markedly stronger growth and profitability than before. In 2019, our net sales increased by 12 percent and our comparable operating profit grew by 40 percent. Another year of continued strong development shows that we are moving in the right direction.

Our net sales for the full year rose to EUR 125.4 million (111.9) and our comparable operating profit improved to EUR 17.1 million (12.2). Operating profit, which in 2018 included a nonrecurring taxable capital gain of EUR 6.0 million on the sale of our head office, was EUR 17.1 million (17.7). Comparable operating profit was boosted by both sales growth and improved relative sales margin. Growth was seen especially in retail sales in Finland, wholesale sales and licensing income in the Asia-Pacific region and wholesale sales in EMEA. Net sales increased in Finland by 12 percent and in the Asia-Pacific region, Marimekko's second-biggest market, by 19 percent. Altogether, international sales grew by 12 percent during the year. A favourable trend in regular-priced sales, more moderate discount promotions and product portfolio optimisation as well as increased licensing income contributed to the improvement in relative sales margin.

We started our long-term work to modernise our collections and our brand some years ago. I am pleased that the fruits of this work have begun to show in our results: among our product lines, the strongest growth was seen in 2019 in the categories that spearhead our communication activities, namely fashion (20 percent) and bags (17 percent). This growth was supported by interesting product launches. In August, we introduced the Marimekko Kioski collection, in which our most iconic prints meet unisex streetwear. The concept premiered at Dover Street Market in Ginza, Tokyo, a multibrand store favoured by fashion opinion leaders, and many of the items were sold out in hours. Marimekko Kioski appeals to a new, younger customer base and has been welcomed with equal enthusiasm in other markets, too. In early autumn, we also launched a new leather bag line inspired by the timeless design language of our classic bag styles. With bags and accessories, we can offer our customers even more complete looks and outfits, and they also provide a convenient way to acquaint new customers with our brand.

In addition to a product portfolio that appeals to a broader global customer base, international growth requires building brand awareness. In this work, different brand collaborations are important for us. Our competitive advantages in these collaborations are our easily recognisable prints and our empowering values. As a continuation of our successful partnership in spring 2018, we launched a new limited-edition collaboration collection with the Japanese global apparel retailer Uniqlo in November 2019. The Uniqlo x Marimekko brand collaboration again presented us with a unique opportunity to introduce a very large global audience to Marimekko and so strengthen our core business through increased international brand awareness. In September, we received a lot of visibility in the United States as our prints were part of an anniversary collection by Target, one of the biggest retail chains in the country and renowned for its designer partnerships. The Anniversary Collection featured reissued limited-edition products from Target's 20 designer collaboration collections from the past 20 years.

At Marimekko, we believe in the power of a meaningful, omnichannel and personal customer experience. We want to challenge the traditional way of doing retail business and to blend the physical and digital worlds into an inspiring and easy customer experience. During Milan Design Week – the world's leading design event – in April, we piloted a totally new kind of service concept, a fully-decorated, shoppable Marimekko home where customers could purchase individual products or, if they preferred, even the entire décor including furniture through an online app.

Digital service solutions are constantly increasing the integration of e-commerce and in-store retailing. Marimekko focuses major efforts on creating a seamless customer experience between different channels. At the beginning of 2019, we launched online sales in China in order to improve the availability of our products and, together with our local partner who is responsible for the operation of the Marimekko stores in China, to

”Marimekko’s strong development continued in 2019.”

offer an omnichannel experience to our customers in this market, which is strategically important to us. China is one of the world’s most advanced and rapidly developing online marketplaces, so I am convinced that we will gain valuable lessons in the future of digital business there. E-commerce is of growing importance in Marimekko’s business in different markets, and in 2019, vigorous growth in online sales continued.

As consumer values shift towards a preference for more sustainable choices, we believe that the original Marimekko design philosophy based on timeless and sustainable thinking is perhaps more topical today than ever before. Sustainable choices are part of our daily work, and during the year, for example, we managed to increase the share of the more sustainable Better Cotton (BCI) in our cotton procurement to 88 percent (64). Our activities also included improving the transparency of the supply chain, launching regular Q&A sessions for consumers in social media, entitled Behind the Patterns, as well as voluntarily preparing our first statement of non-financial information targeted to investors. In addition, we began drafting our new sustainability strategy and, in 2020, we will announce new and significantly more ambitious sustainability targets for our operations.

We started the year 2020 in fully renovated premises. We believe that the new look of our head office will increase the Marimekko house’s appeal as a destination for fans of our brand. Especially, the renovation will support our workplace culture as we build Marimekko’s international success story together with our personnel. Marimekko’s culture is characterised by a strong spirit of internal entrepreneurship and doing things together, and committed and motivated employees are our key asset.

It delights me that a large proportion of Marimekko employees play a part in building our future also as shareholders: in spring 2019, half of those entitled took part in a share issue directed to our personnel and freelance designers. During the year, a large number of other new investors also became interested in Marimekko’s story. Moreover, as a result of an upward trend in our market capitalisation, Marimekko was moved to the segment of mid-cap companies on the Nasdaq Helsinki stock exchange at the beginning of 2020.

We are pleased that the results of our efforts to execute our long-term strategy are showing and we are determined to continue this work.

Tiina Alahuhta-Kasko

2019 in a nutshell

Marimekko's strong development continued in 2019. Our net sales grew by 17 percent to 125.4 million euros and comparable operating profit rose by 40 percent to 17.1 million euros.

Sales increased in all market areas. Growth came primarily from our two biggest markets, Finland and the Asia-Pacific region, as well as from EMEA. Sales in Finland increased by 12 percent and retail sales in particular showed an especially good trend. Vigorous growth in our online sales continued. Comparable operating profit was boosted by sales growth and improved relative sales margin.

Net sales
125.4
million euros (111.9)

Comparable operating profit
17.1
million euros (12.2)

Comparable operating profit margin
13.6
% (10.9)

Comparable EBITDA
29.7
million euros (14.7)

Cash flow from operating activities
29.0
million euros (12.2)

Our key markets
Northern Europe, North America and the Asia-Pacific region

Around 150 Marimekko stores
in 15 countries

Online store
reaches our customers in 32 countries

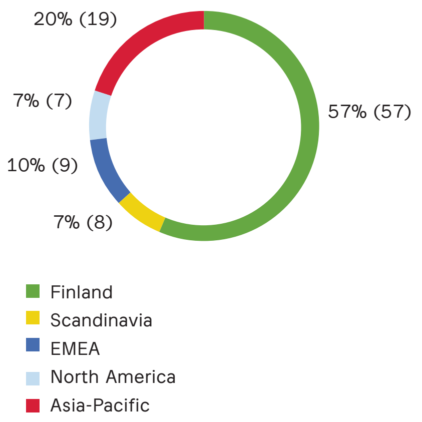
Flagship stores
in Helsinki, Stockholm, New York, Tokyo and Sydney

We employ
about 450 people

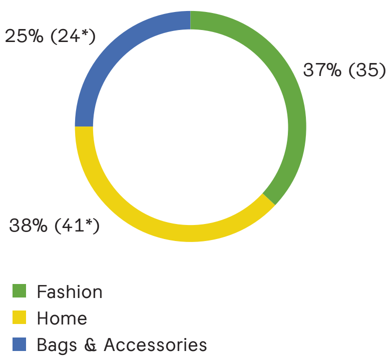
Our share is quoted on
Nasdaq Helsinki Ltd

The adoption of IFRS 16 has affected the comparability of key figures.

Net sales by market area, 2019

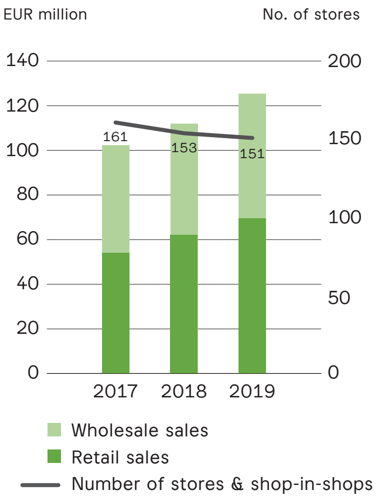


Net sales by product line, 2019



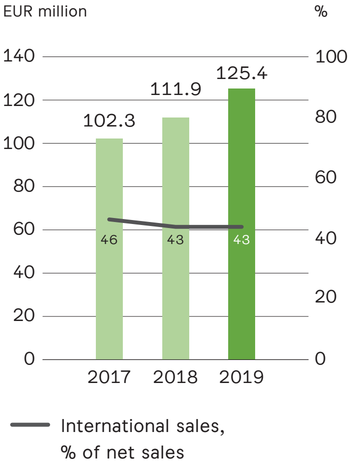
* As of 2019, cosmetic bags are included in the 'Home' product line instead of 'Bags & Accessories'. 2018 figures have been restated accordingly.

Net sales by channel, e-commerce included

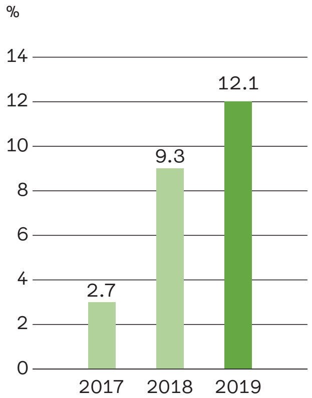


Financial targets

Net sales



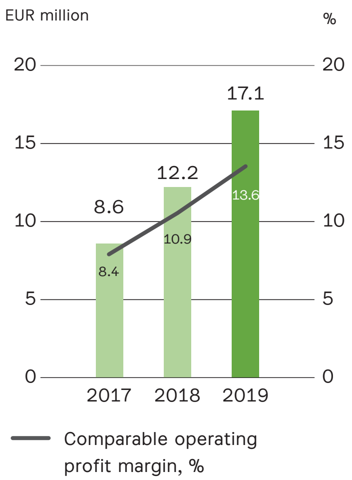
Growth in net sales, %



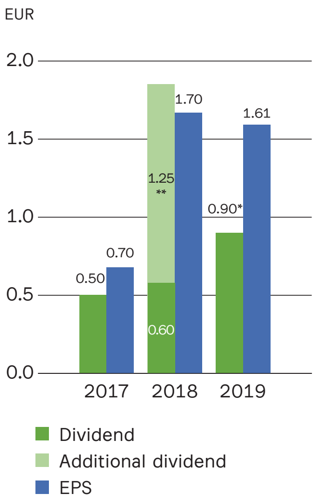
Long-term financial goals

- Annual growth in net sales over 10%
- Operating profit margin 15%
- Ratio of net debt to EBITDA at year end max. 2
- The intention is to pay a yearly dividend; percentage of earnings per share allocated to dividends at least 50%

Comparable operating profit



Dividend and earnings per share



Net debt / EBITDA

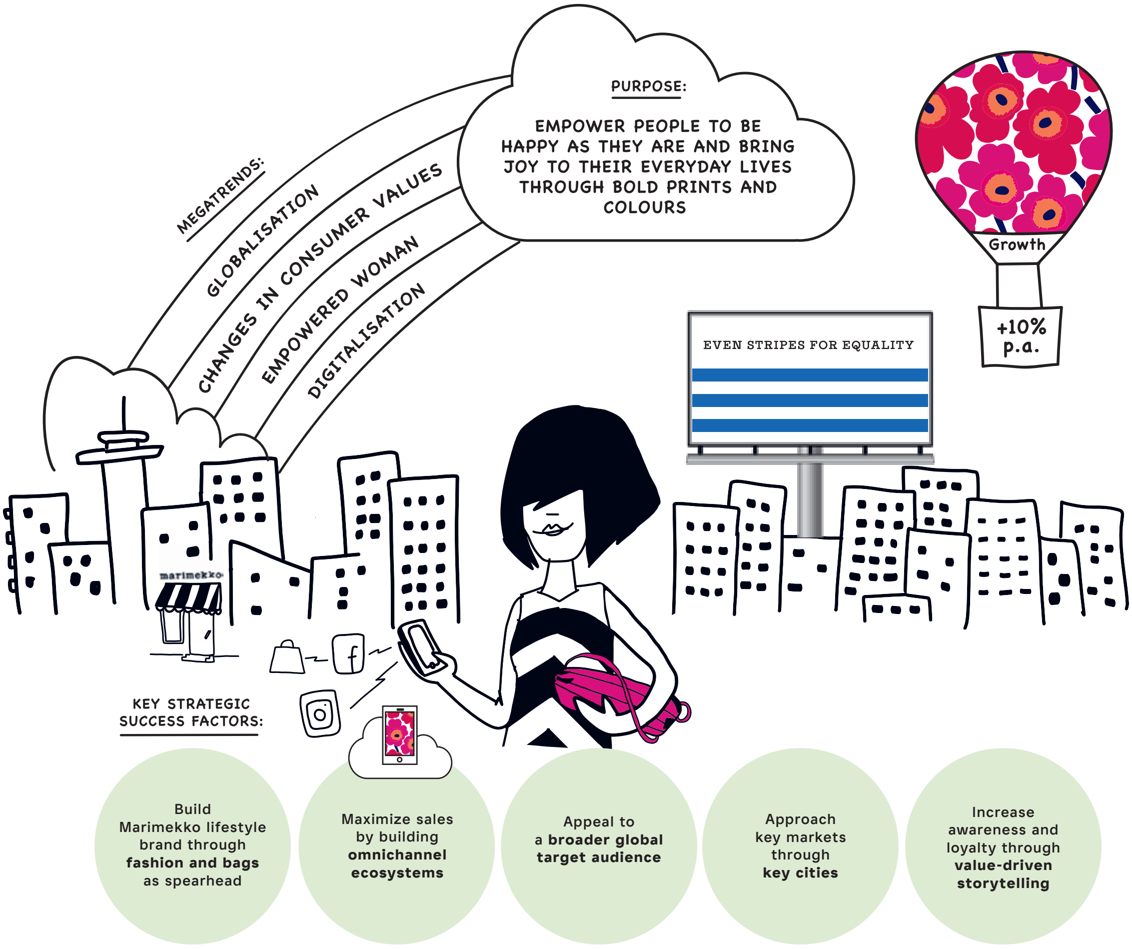
At the end of 2019, the ratio of net debt to EBITDA was 0.35. Due to the adoption of IFRS 16, no comparison figure for 2018 is reported.

* Proposal to the AGM.
** The dividend for 2018 includes a regular dividend of EUR 0.60 per share and an additional dividend of EUR 1.25 per share. The additional dividend was paid because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position.

Strategy

Our vision is to be the world's most inspiring lifestyle design brand renowned for bold prints.

Marimekko has a long-term international growth strategy and its key markets are Northern Europe, North America, and the Asia-Pacific region. Our goal in the strategy period which began in 2018 and extends to 2022 is to achieve markedly stronger growth and profitability than before through speaking to an increasingly broad customer base. Marimekko's net sales in 2019 grew in all market areas and comparable operating profit improved significantly. Another year of continued strong development shows that we are moving in the right direction.



For details about the focus areas of our strategy, please visit our website company.marimekko.com
> About Marimekko
> Strategy & financial goals

In 2019

A new limited-edition collaboration collection with the Japanese global apparel brand Uniqlo gave us an opportunity to share Marimekko's design philosophy with a large global audience and so strengthen our core business through increased brand awareness. A continuation of the successful first collaboration collection launched in spring 2018, the new collection included clothing and accessories for women and children – in Marimekko's bold prints and colours, of course.

The Marimekko Kioski streetwear collection, appealing to a new, younger customer base, had a particularly enthusiastic reception in Asia in the big key cities important to our business. Marimekko Kioski combines some of our most iconic prints and unisex streetwear, which currently enjoys growing popularity in the fashion world.

A new leather bag line, inspired by the timeless design language of our classic bag styles, supports our goal to reach a wider target audience. Bags and accessories provide a convenient way to acquaint new customers with the Marimekko brand. They also play an important role in the fashion business in general, often generating a significant proportion of a brand's net sales.

Digital service solutions are constantly increasing the integration of e-commerce and in-store retailing. During Milan Design Week, we piloted a new service concept where a home-like physical setup was combined with a digital shopping experience in an inspiring and effortless way. Marimekko focuses major efforts on creating a seamless customer experience between different channels and develops both the store network and its digital business. In 2019, vigorous growth in online sales continued.

Marimekko has a large international community with whom we want to have an active dialogue. In 2019, we launched Q&A sessions, entitled Behind the Patterns, in social media to discuss our products, the people behind them, and sustainability. These sessions and other value-based inspiring content markedly expanded our community during the year.

Sustainability at Marimekko

For Marimekko, sustainability means respecting people and the environment in everything we do. Our value "fairness to everyone and everything" crystallises our sustainability thinking. We treat people fairly, and we create products that bring joy for a long time with minimal impacts on the environment.

Our current sustainability strategy is crystallised into five commitments:

- designing timeless, long-lasting and functional products
- inspiring and engaging our customers and staff
- promoting responsible practices throughout our supply chain
- being resource efficient and caring for the environment
- offering an inspiring and responsible workplace.

We believe that, in the future, customers around the world will increasingly incorporate sustainability perspective into their buying decisions. We are currently preparing new, even more ambitious sustainability targets for 2020–2025 as well as a road map for reaching these goals.

In 2019

- 30 percent less carbon dioxide emissions than in 2018 (HQ and printing factory operations in Helsinki and electricity consumption in Kitee and Sulkava).
- Marimekko already sourcing almost 90 percent of its cotton as more sustainable Better Cotton (BCI).
- Marimekko's iconic patterns on fabrics made of new wood-based fibres.
- Open dialogue on our sustainability work in social media: Behind the Patterns Q&A sessions on Instagram.
- Over 40 factory visits made by Marimekko employees to ensure that our products meet our quality and sustainability requirements.
- Two thirds of Marimekko products made in Europe.
- Over one million metres of fabric printed in our own printing factory in Helsinki.
- Partnerships with Plan International and Helsinki Pride as part of our efforts to promote equality.
- Studies to calculate the CO2 footprint as part of preparing the new sustainability strategy.
- A new tool to evaluate partner suppliers.
- Inspiring, new office space supporting our company culture in the fully-renovated and more energy-efficient Marimekko House.

Read more about our sustainability work and its progress on pages 71–81.
A comprehensive sustainability review is published on our website in summer 2020.

Report of the Board of Directors

2019 IN BRIEF

2019 was a strong year for Marimekko: the Group's net sales grew by 12 percent on the previous year and were EUR 125,419 thousand (2018: 111,879; 2017: 102,324). Retail sales rose by 13 percent and wholesale sales by 8 percent. Sales grew in all market areas. Net sales in Finland rose by 12 percent to EUR 71,163 thousand (63,537; 55,690). International sales grew by 12 percent and were EUR 54,256 thousand (48,342; 46,635). Brand sales[1] of Marimekko products amounted to EUR 250,754 thousand (248,437; 192,736).

Growth in net sales came especially from retail sales in Finland, wholesale sales and licensing income in the Asia-Pacific region as well as wholesale sales in EMEA. In Finland, retail sales grew by 15 percent and comparable retail sales[2] by 18 percent. In Marimekko's second-largest market, the Asia-Pacific region, net sales rose by 19 percent. Wholesale sales in the region grew by 14 percent, and licensing income was substantially higher than in the comparison year.

[1] Brand sales are given as an alternative non-IFRS key figure. Brand sales, consisting of estimated sales of Marimekko products at consumer prices, are calculated by adding together the company's own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realised wholesale sales and royalty income, is unofficial and does not include VAT. The key figure is not audited.

[2] Includes both bricks-and-mortar and online sales.

In 2019, operating profit was EUR 17,117 thousand (17,721; 8,360). Operating profit for the previous year included a nonrecurring taxable capital gain of EUR 6,027 thousand on the sale of the company's head office as well as nonrecurring expenses. Comparable operating profit rose by 40 percent and was EUR 17,117 thousand (12,199; 8,596).

Operating profit was boosted by sales growth, especially retail sales in Finland, wholesale sales and licensing income in the Asia-Pacific region and wholesale sales in EMEA, as well as improved relative sales margin. A favourable trend in regular-priced sales, more moderate discount promotions, and product portfolio optimisation contributed to the improvement in relative sales margin. Increased licensing income also had a positive effect on relative sales margin. Higher fixed costs, especially marketing expenses, the estimated effects of the long-term, share-based incentive scheme for management, personnel expenses and the costs of IT systems, had a weakening impact on results.

Profit after tax for the financial year was EUR 13,018 thousand (13,698; 5,660) and earnings per share were EUR 1.61 (1.70; 0.70).

The Board of Directors' proposal for the 2019 dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.90 per share be paid for 2019. A regular dividend of EUR 0.60 per share plus an additional dividend of EUR 1.25 per share were paid for 2018; a divided of EUR 0.50 per share was paid for 2017.

OPERATING ENVIRONMENT

The following outlook information is based on materials published by Confederation of Finnish Industries EK and Statistics Finland.

Growth in the global economy in 2020 is expected to be somewhat faster than in the previous year. However, continued consumer confidence is a prerequisite for the favourable development. Trade policy tensions persist, and there are no signs of industrial growth yet. The risk of the global economy performing worse than expected still exists.

Growth in the Finnish economy is estimated to slow down this year. Although the outlook for some sectors has improved from autumn 2019, the overall economic conditions and outlook are weak. The volume of retail sales declined slightly in late autumn 2019, and sales expectations for the next few months are subdued. Consumer confidence remained almost unchanged in January 2020: consumers' view of their current and future financial situation weakened somewhat, but confidence in the Finnish economy was slightly higher than before.

(Confederation of Finnish Industries EK: Business Tendency Survey, January 2020; Confidence Indicators, January 2020. Statistics Finland: Consumer Confidence 2020, January.)

The working-day-adjusted turnover of Finnish retail trade from January to December was up by 2.3 percent; the volume of sales rose by 2.2 percent. In December 2019, sales only grew by 0.4 percent and sales volume declined by 1.7 percent. (Statistics Finland: Turnover of Trade, retail trade flash estimate, December 2019.)

NET SALES

In 2019, the Group's net sales rose by 12 percent and were EUR 125,419 thousand (111,879; 102,324). Sales grew in all market areas. Retail sales in Finland, wholesale sales and licensing income in the Asia-Pacific region as well as wholesale sales in EMEA especially contributed to growth. Retail sales rose by 13 percent and wholesale sales by 8 percent. Net sales in Finland and international sales both increased by 12 percent.

Net sales in Finland rose to EUR 71,163 thousand (63,537; 55,690). Retail sales grew by 15 percent and comparable retail sales[3] by 18 percent. Wholesale sales were up by 4 percent.

In the company's second-biggest market, the Asia-Pacific region, net sales rose by 19 percent to EUR 24,712 thousand (20,811; 20,161. Wholesale sales in the region grew by 14 percent, and licensing income was substantially higher than in the comparison year. In Japan, the most important country to Marimekko in this market area, wholesale sales were up by 9 percent. Retail sales grew by 9 percent; this growth came mainly from Australia.

FINANCIAL RESULT

In 2019, the Group's operating profit was EUR 17,117 thousand (17,721; 8,360). Operating profit for the previous

[3] Includes both bricks-and-mortar and online sales.

Net sales by market area

(EUR 1,000)	2019	2018	Change, %
Finland	71,163	63,537	12
Retail sales	51,918	45,062	15
Wholesale sales	19,012	18,299	4
Licensing income	233	176	32
Scandinavia	9,297	9,017	3
Retail sales	5,434	5,283	3
Wholesale sales	3,862	3,733	3
Licensing income	-	-	
EMEA	11,992	10,321	16
Retail sales	1,568	1,493	5
Wholesale sales	9,980	8,426	18
Licensing income	443	401	11
North America	8,257	8,193	1
Retail sales	5,798	5,222	11
Wholesale sales	1,987	2,664	-25
Licensing income	472	307	54
Asia-Pacific	24,712	20,811	19
Retail sales	4,378	4,024	9
Wholesale sales	18,733	16,384	14
Licensing income	1,600	403	
International sales, total	54,256	48,342	12
Retail sales	17,178	16,023	7
Wholesale sales	34,562	31,207	11
Licensing income	2,516	1,112	126
Total	125,419	111,879	12
Retail sales	69,096	61,085	13
Wholesale sales	53,574	49,506	8
Licensing income	2,748	1,288	113

All figures in the table have been individually rounded to thousands of euros, so there may be rounding differences in the totals. The change percentages have been calculated on exact figures before rounding.

year included a nonrecurring taxable capital gain of EUR 6,027 thousand on the sale of the company's head office as well as nonrecurring expenses. Comparable operating profit was also EUR 17,117 thousand (12,199; 8,596).

Operating profit was boosted by sales growth and improved relative sales margin. Growth in net sales was generated primarily by retail sales in Finland, wholesale sales and licensing income in the Asia-Pacific region as well as wholesale sales in EMEA. A favourable trend in regular-priced sales, more moderate discount promotions, and product portfolio optimisation contributed to the improvement in relative sales margin. Increased licensing income also had a positive effect on relative sales margin. Higher fixed costs, especially marketing expenses, the estimated effects of the long-term, share-based incentive scheme for management, personnel expenses and the costs of IT systems, had a weakening impact on results. Due to the adoption of IFRS 16, rental expenses decreased and depreciation correspondingly increased markedly. The net effect of IFRS 16 on operating result for 2019 was EUR +512 thousand.

Marketing expenses for the year 2019 were EUR 7,379 thousand (6,292[4]; 4,498), or 6 percent of the Group's net sales (6; 4).

As a result of the adoption of IFRS 16, the Group's depreciation increased to EUR 12,543 thousand (2,501; 3,308), representing 10 percent of net sales (2; 3).

Operating profit margin for 2019 was 13.6 percent (15.8; 8.2) and comparable operating profit margin was also 13.6 percent (10.9; 8.4).

Net financial expenses were EUR 966 thousand (168; 1,230), or 1 percent of net sales (0; 1). Financial items include exchange rate differences amounting to EUR 35 thousand (-64; -1,034). The adoption of IFRS 16 increased interest expenses by EUR 899 thousand.

Result for 2019 before taxes was EUR 16,151 thousand (17,552; 7,130). Result after taxes was EUR 13,018 thousand (13,698; 5,660) and earnings per share were EUR 1.61 (1.70; 0.70).

BALANCE SHEET

The consolidated balance sheet total as at 31 December 2019 was EUR 96,884 thousand (57,114; 47,113). Equity attributable to the equity holders of the parent company was EUR 38,925 thousand (40,005; 30,669), or EUR 4.80 per share (4.96; 3.79).

Non-current assets at the end of 2019 stood at EUR 41,555 thousand (4,910; 13,333). The adoption of IFRS 16 increased assets by EUR 35,766 thousand.

At the end of the year, net working capital was EUR 9,285 thousand (12,328; 14,496). Inventories were EUR 22,564 thousand (22,114; 20,921).

CASH FLOW AND FINANCING

In 2019, cash flow from operating activities was EUR 28,992 thousand (12,225; 9,810), or EUR 3.57 per share (1.51; 1.21). Cash flow before cash flow from financing activities was EUR 27,423 thousand (21,671; 8,833). In the cash flow statement, the adoption of IFRS 16 increased cash flow from operating activities and reduced cash flow from financing activities by EUR 10,437 thousand. The additional dividend paid in April for 2018 also had an impact on cash flow from financing activities; the regular and additional dividends paid totalled EUR 15,003 thousand (4,045; 3,236).

With the adoption of IFRS 16, the Group's financial liabilities rose to EUR 36,153 thousand (IAS 17 finance lease liabilities 408; 3,341).

Cash and cash equivalents at the end of 2019 amounted to EUR 26,133 thousand (23,174; 6,212). The amount of interest-bearing credit facilities drawn down was EUR 251 thousand. In addition, the Group had unused committed credit lines of EUR 14,155 thousand (13,000; 18,000).

At the end of the year, the Group's equity ratio was 40.2 percent (70.0; 65.2). Gearing was 27.0 percent (-56.9; -9.4). The ratio of net debt to EBITDA at the end of 2019 was 0.35, i.e. well below the maximum of 2 which is the company's long-term goal. Due to the adoption of IFRS 16, no comparison figures for 2018 and 2017 are reported.

INVESTMENTS

The Group's gross investments in 2019 were EUR 2,594 thousand (1,280; 1,210), or 2 percent of net sales (1; 1). Most of the investments were devoted to revamping the company's headquarter premises, to store premises, and to IT systems.

[4] The classification method for marketing expenses changed in 2019; to maintain comparability, the figures for 2018 were restated accordingly.

The investment figure does not include the impact of IFRS 16.

STORE NETWORK

Good store locations that cater for its target audience are essential for Marimekko. The operations and efficiency of the store network are continuously assessed and developed. During 2019, two new stores were opened in Finland and one store opened in Japan. One shop-in shop was opened in Finland and one in Belgium. In addition, existing stores were revamped. Pop-up stores part of the Marimekko Kioski streetwear concept attracted great interest especially in Asia. Six stores were closed, and the area of one shop-in-shop reduced below the reporting limit of 30 sqm. At the end of the year, there were 151 Marimekko stores and shop-in-shops and online store reached customers in 32 countries. In addition to its own online store, the company also has distribution through other online channels.

Digital service solutions are constantly increasing the integration of e-commerce and in-store retailing. For this reason, Marimekko reports its own e-commerce net sales as part of retail sales and sales through other online channels as part of wholesale sales. Marimekko focuses major efforts on creating a seamless customer experience between different channels and develops its IT systems to strengthen its digital business. E-commerce is of growing importance in the company's business: in 2019, vigorous growth in online sales continued.

SHARES AND SHAREHOLDERS

Shares and share capital

Marimekko Corporation's share is quoted in the Consumer Goods sector of Nasdaq Helsinki Ltd. The company has one series of shares, each conferring the same voting rights to their holders. At the end of 2019, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,129,834.

Shareholdings

According to the book-entry register, Marimekko had 11,511 shareholders at the end of the year (8,335; 7,575). Of the shares, 11.6 percent were owned by nominee-registered or non-Finnish holders (12.1; 11.4). The breakdown of Finnish ownership by owner group was as follows: households 38.5 percent, non-financial corporations and housing corporations 24.5 percent, general government 11.6 percent, financial and insurance corporations 13.0 percent, and non-profit institutions 0.9 percent.

Marimekko Corporation held 20,000 of its own shares as at 31 December 2019. These shares accounted for 0.25 percent of the total number of the company's shares. Marimekko shares held by the company carry no voting rights and no entitlement to dividends.

At the end of the year, the number of shares owned either directly or indirectly by members of the Board of Directors and the Management Group of the company was 1,087,166, representing 13.4 percent of the number and voting rights of the company's shares.

Marimekko has neither made nor is aware of any shareholder agreements concerning the company's shares or other commitments agreeing on the company's ownership or the use of voting rights. Information on the largest shareholders can be found on the company's website at company.marimekko.com under Investors/Share information/Shareholders. Further details of shareholdings are available on pages 22–25.

Share trading and the company's market capitalisation

In 2019, a total of 2,137,688 Marimekko shares (1,455,424; 796,964) were traded on Nasdaq Helsinki, representing 26.3 percent of the shares outstanding (18.0; 9.9). The total value of the share turnover was EUR 63,287,646 (23,348,024; 8,042,982). The lowest price of the share was EUR 20.80 (9.92; 9.10), the highest was EUR 39.00 (23.50; 10.99) and the average price was EUR 29.61 (16.04; 10.09). At the end of the year, the closing price of the share was EUR 35.80 (20.80; 10.10).

The company's market capitalisation on 31 December 2019 was EUR 290,332,057, excluding the Marimekko shares held by the company (167,847,888; 81,705,061). As a result of the upward trend in market capitalisation in 2019, Marimekko was moved to the segment of mid-cap companies on the Nasdaq Helsinki stock exchange at the beginning of 2020.

Flaggings

PowerBank Ventures Ltd's share of Marimekko Corporation's shares and voting rights fell below the threshold of 15 percent on 26 November 2019. After the transaction, the holding of PowerBank Ventures Ltd was 1,017,700 shares which equals 12.52 percent of the number and voting rights of the company's shares. PowerBank Ventures Ltd is a company controlled by Mika Ihamuotila, Chairman of the Board of Directors of Marimekko.

Authorisations
The Annual General Meeting held on 12 April 2018 authorised the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares. The shares would be acquired with funds from the company's unrestricted equity otherwise than in proportion to the shareholdings of the shareholders through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares would be acquired to be used as a part of the company's incentive compensation program, to be transferred for other purposes or to be cancelled. The authorisation included the right of the Board of Directors to decide on all of the other terms and conditions of the acquisition of the shares. In May 2018, the Board decided to make use of the authorisation granted to it, and purchases of the company's own shares were made between 1 June and 14 August 2018. The authorisation was valid until 12 October 2019. As at 31 December 2019, Marimekko Corporation held 20,000 of its own shares, representing 0.25 percent of the total number of the company's shares.

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation included the right of the Board of Directors to decide on all of the other terms and conditions of the share issue. Pursuant to the authorisation obtained, the Board decided to arrange a directed share issue to the company's personnel and freelance designers in Finland in March 2019. The authorisation was valid until 12 October 2019.

At the end of the year, the Board of Directors had no valid authorisations to issue convertible bonds or bonds with warrants.

Personnel share issue
In its stock exchange release of 27 February 2019, Marimekko announced that the Board of Directors had decided on the detailed terms and conditions as well as schedule of the company's personnel share issue. The complete terms and conditions of the share issue are attached to the stock exchange release.

In its stock exchange release of 1 April 2019, the company announced that the Board of Directors had approved a total of 40,224 subscriptions for new shares. The total subscription price of the new shares was EUR 725,988. The shares subscribed for in the share issue represent 0.50 percent of the company's existing shares and the voting rights carried by the existing shares before the share issue.

In the share issue, a maximum total of 150,000 new shares in the company were offered for subscription. The subscription price was EUR 11.45 per share for the first fifty shares (50 percent discount from the average share price in January) and EUR 20.60 per share for the shares subscribed for after the first fifty shares (10 percent discount from the average share price in January).

Half of those entitled to subscribe took part in the share issue. Subscriptions were made by a total of 229 company employees and freelance designers out of 472 who were entitled.

The shares approved in the share issue were entered into the Trade Register on 11 April 2019 and admitted to public trading on Nasdaq Helsinki Ltd on 12 April 2019. After the registration of the new shares, the number of shares in Marimekko Corporation totals 8,129,834.

The personnel share issue has been accounted for in accordance with IFRS 2. The subscription price paid by the subscribers, totalling EUR 726 thousand, has been recorded in the reserve for invested non-restricted equity, and the discount granted by the company to the subscribers has been recorded as expense and in retained earnings. The amount recorded in employee benefit expenses and in retained earnings is EUR 195 thousand.

PERSONNEL

In 2019, the number of employees averaged 442 (433; 425). At the end of the year, the Group had 450 employees (445; 446), of whom 98 (102; 122) worked outside Finland. Salaries, wages and bonuses paid to personnel amounted to EUR 21,186 thousand (19,989; 19,366). In 2019, the turnover of employees leaving was 8 percent (11; 21). More information on personnel and the development of staff is available in the statement of non-financial information on pages 78–79.

SUSTAINABILITY

Sustainability management at Marimekko is part of everyday leadership and operational development. Among the principal themes of Marimekko's sustainability strategy from 2016 to 2020 are sustainable and timeless design, engagement of stakeholders and staff, a responsible supply chain, resource efficiency, and caring for the environment and personnel. In 2019, the company's activities included improving the transparency of the supply chain as well as increasing the proportion of more sustainably produced cotton and other more sustainable raw materials in its products. The company is currently preparing the sustainability strategy and actions for the years from 2020 to 2025.

The company has a Code of Conduct specifying the way of working for all employees and management. Marimekko's supplier partners also have to commit themselves to compliance with the guidelines drawn up for them, which among other things include a prohibition on child labour and forced labour.

Statement of non-financial information
Marimekko issues a statement of non-financial information for 2019 separately from the report of the Board of Directors. The statement is available on pages 71–81.

The company reports in greater detail on its sustainability work and on issues of the environment, health and safety in a separate sustainability review issued annually. The report can be read on the company's website at company. marimekko.com under Sustainability/ Sustainability review. The next review will be published in summer 2020.

RESEARCH AND DEVELOPMENT

Marimekko's product planning and development costs arise from the design of collections and collaboration on new materials. Design costs are recorded in expenses.

MANAGEMENT

Board of Directors, management and auditors
Marimekko Corporation's Board of Directors are elected by the Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of four to seven ordinary members. Their term of office ends at the conclusion of the next Annual General Meeting. The Board elects a Chairman from amongst its members.

The duties and responsibilities of the Board of Directors are determined primarily by the Articles of Association and the Finnish Companies Act. The Board deliberates on all matters that are significant to the Marimekko Group's business operations. These include approving strategic policies, budgets and operating plans, and deciding on significant investments, mergers and acquisitions. The Articles of Association do not provide the Board of Directors or the President and CEO with any powers other than those that are customary. Decisions to amend the Articles of Association or to increase the share capital are made pursuant to the provisions of the Finnish Companies Act in force.

The Annual General Meeting of 17 April 2019 appointed seven members to the company's Board of Directors. Rebekka Bay, Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén were re-elected. The Board is chaired by Mika Ihamuotila and vice-chaired by Elina Björklund.

From among its members, the Board of Directors elected Elina Björklund as Chairman and Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén as members of the Audit and Remuneration Committee. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders.

The Annual General Meeting resolved that the annual remuneration payable to the members of the Board of Directors be as follows: EUR 48,000 to the Chairman, EUR 35,000 to the Vice Chairman and EUR 26,000 to the other members of the Board. It was further resolved that a separate remuneration be paid for committee work to persons elected to a committee as follows:

EUR 2,000 per meeting to Chairman and EUR 1,000 per meeting to members. According to the resolution by the Annual General Meeting, approximately 40 percent of the annual remuneration were to be paid in Marimekko Corporation's shares acquired from the market and the rest in cash. In addition, the Annual General Meeting resolved that in case a member of the Board held the company's shares worth more than EUR 500,000 on the date of the Meeting, 17 April 2019, the remuneration would be paid entirely in cash.

The Board of Directors elects the company's President and CEO and decides on the President and CEO's salary and other remuneration on the basis of a proposal drawn up by the Audit and Remuneration Committee. The duties of the President and CEO are set down in the Finnish Companies Act. The post of Marimekko Corporation's President and CEO is held by Tiina Alahuhta-Kasko.

At the end of 2019, the company's Management Group comprised Tiina Alahuhta-Kasko as Chairman and Elina Anckar (Chief Financial Officer), Tina Broman (Chief Supply Chain and Product Officer), Kari Härkönen (Chief Digital Officer), Morten Israelsen (Chief Sales Officer), Tanya Strohmayer (Human Resources Director) and Riika Wikberg (Head of Business Development) as members.

The Annual General Meeting re-elected KPMG Oy Ab, Authorised Public Accountants, as the company's auditor, with Virpi Halonen, Authorised Public Accountant, as the auditor with principal responsibility. It was decided that the auditor's fee will be paid as per invoice approved by the company.

Corporate governance statement
The corporate governance statement for 2019 is issued separately from the report of the Board of Directors. It can be found on the company's website at company.marimekko.com under Investors/Management/Corporate governance.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

Factors of uncertainty over the global economic trend affect the retail trade and consumer confidence in all of the company's market areas. The company's major strategic risks are associated with changes in consumers' preferences and purchasing behaviour as well as buying power, especially in Finland and Japan, which are the company's biggest single countries for business.

Near-term strategic risks include risks related to changes in the company's design, product assortment and product distribution and pricing. Digitisation in retail trade and the intensified competition and rapidly changing operating environment that this entails also bring risks and new revenue generation models. The company's ability to design, develop and commercialise new products that meet consumers' expectations while ensuring effective and sustainable production, sourcing and logistics has an impact on the company's sales and profitability. International e-commerce increases the options available to consumers and multichannel business is of growing importance in the retail trade. Maintaining competitiveness in a rapidly changing operating environment being revolutionised by digitisation demands agility, efficiency and the constant re-evaluation of operations.

The company's growth is based primarily on expanding e-commerce, on partner-led retail in Asia, as well as on increasing the sales per square metre of existing stores in the company's main market areas. The Asia-Pacific region is Marimekko's second-biggest market, and it plays an important role in the company's growth and internationalisation. Changes in distribution channel solutions may impact the company's sales and profitability. Major partnership choices, partnering contracts and other collaboration agreements involve considerable risks. With the company's internationalisation and the growing interest in its brand, risks related to grey exports have increased, which may have an impact on the company's sales and profitability. Store lease agreements in Finland and abroad also contain risks.

Intellectual property rights play a vital role in the company's success, and the company's ability to manage and protect these rights may have an impact on the value and reputation of the company. Agreements with freelance designers and fees paid to designers based on these agreements are also an essential part of the management of intellectual property rights. As the company internationalises, the risks of infringements of its intellectual property rights may increase, particularly in Asia.

Prominent among the company's operational risks are those related to internationalisation, supply chain sustainability and digitisation. There are risks associated with information system reliability, dependability and compatibility. With digitisation, various risks related to cybersecurity have also increased. Malfunctions in data communications or, for example, in the company's own online store, may disrupt business or result in lost sales. There are also risks associated with procurement and logistics processes and price fluctuations for raw materials and procurements. The company primarily uses subcontractors to manufacture its products. Of the sustainability elements of manufacturing, especially social aspects related to the supply chain (including human rights, working conditions and remuneration) and environmental aspects (for example production methods and chemicals used) as well as transparent communications on these subjects are of growing significance to customers. Compliance with sustainable business methods is important in maintaining customers' confidence; any failures or errors in this area will involve reputation risks. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a harmful impact on business. As product distribution is expanded and operations are diversified, risks associated with inventory management also grow. As Marimekko is a small company, ongoing modernisation and development projects increase risks related to key personnel. Exceptional circumstances, such as the coronavirus epidemic, can have an impact on the company's sales, profitability and supply chain.

Climate change is expected to bring an increase in various extreme phenomena such as floods, typhoons and hurricanes. Marimekko has stores in areas in which such extreme phenomena may occur, and if they damage stores or cause momentary changes in consumers' purchasing behaviour, it may result in lost sales as well as expenses. Extreme phenomena may also affect the availability of products if they cause damage to the company's suppliers' factories. Furthermore, climate change or extreme weather may cause droughts, soil depletion or other changes in growth conditions, which could impact the availability and price of Marimekko's most used raw material, cotton.

Among the company's financial risks, those related to the structure of sales, price trends for factors of production, changes in cost structure, changes in exchange rates (particularly the US dollar, Swedish krona and Australian dollar), taxation, and customers' liquidity may have an impact on the company's financial status.

MARKET OUTLOOK AND GROWTH TARGETS FOR 2020

Uncertainty in the global economy is forecast to continue, partly because of the unpredictability of the political situation. Consumer demand forecasts vary among Marimekko's different market areas. For example the coronavirus epidemic and the unstable situation in Hong Kong as well as other possible exceptional circumstances in the company's markets may have an impact on consumers' and partners' purchasing behaviour and thereby on the company's sales and profitability.

Finland, Marimekko's important domestic market, represents about half of the company's net sales. Sales in Finland are expected to grow on the previous year. Domestic wholesale sales in 2020 will be boosted by nonrecurring promotional deliveries, the total value of which will be substantially higher than last year. A vast majority of the deliveries will take place in the second half of the year.

The Asia-Pacific region is Marimekko's second-largest market and it plays a significant part in the company's internationalisation. Japan is clearly the most important country in this region to Marimekko. The other countries' combined share of the company's net sales is still relatively small, as operations in these countries are at an earlier stage than in Japan. Japan already has a very comprehensive network of Marimekko stores. Sales growth is supported by developing the operations of existing stores, optimising the product range and increasing online sales. The impacts of the coronavirus, at the moment concerning in particular the Asia-Pacific region, are still uncertain, but the epidemic can have a negative impact on sales, profitability and the operational reliability of the global supply chain. Some 15 percent of Marimekko's products are manufactured in China. However, Marimekko currently estimates that net sales in the Asia-Pacific region will continue to grow this year. The company sees increasing demand for its products in this area especially in the longer term.

In 2019, Marimekko became aware of cases of grey exports and has taken due action. The control of the cases will have a clear weakening impact on the company's sales and earnings.

The key drivers of the company's growth are e-commerce, increasing the sales per square metre of existing stores in all markets, and partner-led retail in Asia. Nonrecurring promotional deliveries also have a significant impact on the company's growth. The aim is to open approximately 10 new Marimekko stores and shop-in-shops in 2020. The main thrust in new openings is on retailer-owned Marimekko stores.

Licensing income in 2020 is estimated to be markedly lower than in the previous year.

In 2020, Marimekko will noticeably heighten its investments from before in order to achieve even stronger growth and profitability in the long term. For this reason, fixed costs are estimated to increase significantly relative to the previous year. The company will further strengthen its international business competences, needed for growth, and personnel expenses are expected to be substantially higher than the year before. Marketing expenses are estimated to grow (2019: EUR 7.4 million), as the company will increase its investments in raising awareness to speak to a wider global audience. Total investments are also expected be significantly higher than in the previous year (2019: 2.6 million) due to revamping and expanding the store network as well as developing digital business and IT systems in order to strengthen the company's international competitiveness. The estimated effects of the long-term bonus system targeted at the company's Management Group will depend on the trend in the price of the company's share during the year.

Because of the seasonal nature of Marimekko's business, the major portion of the company's net sales and earnings are traditionally generated during the last two quarters of the year, and this is expected to be the case in 2020 as well, to a particularly large extent especially for earnings due also to the timing of growth investments. In the final quarter of the year, holiday sales make up a significant share of net sales.

FINANCIAL GUIDANCE FOR 2020

The Marimekko Group's net sales for 2020 are forecasted to be higher than in the previous year. Comparable operating profit is estimated to be approximately at the same level as or higher than the year before.

THE BOARD OF DIRECTORS' PROPOSAL FOR DIVIDENDS

On 31 December 2019, the parent company's distributable funds amounted to EUR 30,513,318.98; profit for the financial year was EUR 14,830,616.17. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.90 per share be paid for 2019, totalling EUR 7,298,850.60, and that the remaining funds be retained in equity.

The Board will propose 14 April 2020 as the dividend record date and 21 April 2020 as the dividend payout date.

No substantial changes in the company's financial position have occurred after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

ANNUAL GENERAL MEETING

Marimekko Corporation's Annual General Meeting will be held on Wednesday 8 April 2020 from 1.00 p.m. onwards in Finlandia Hall, Mannerheimintie 13e, 00100 Helsinki, Finland.

Helsinki, 12 February 2020

Marimekko Corporation
Board of Directors

Key figures of the Group

Per-share key figures

	2019	2018	2017
Earnings per share (EPS), EUR	1.61	1.70	0.70
Equity per share, EUR	4.80	4.96	3.79
Dividend per share, EUR	0.90[1]	1.85[2]	0.50
Dividend per profit, %	55.9[1]	108.8	71.4
Effective dividend yield, %	2.5[1]	8.9	5.0
P/E ratio	22.2	12.2	14.4
Share issue adjusted average			
number of shares	8,100,246	8,080,095	8,089,610
Share issue adjusted number of shares			
at the end of the financial year	8,109,834	8,069,610	8,089,610

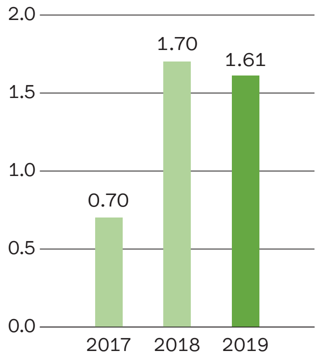
Key financial figures

	2019	2018	2017
Net sales, EUR 1,000	125,419	111,879	102,324
Change in net sales, %	12.1	9.3	2.7
Operating profit, EUR 1,000	17,117	17,721	8,360
% of net sales	13.6	15.8	8.2
Comparable operating profit, EUR 1,000	17,117	12,199	8,596
% of net sales	13.6	10.9	8.4
Financial income, EUR 1,000	462	178	39
Financial expenses, EUR 1,000	-1,429	-346	-1,269
Result before taxes, EUR 1,000	16,151	17,552	7,130
% of net sales	12.9	15.7	7.0
Taxes, EUR 1,000	3,133	3,855	1,470
Result after taxes, EUR 1,000	13,018	13,698	5,660
Balance sheet total, EUR 1,000	96,884	57,114	47,113
Net working capital, EUR 1,000	9,285	12,328	14,496
Interest-bearing liabilities, EUR 1,000	36,404	408	3,341
Shareholders' equity, EUR 1,000	38,925	40,005	30,669
Net debt / EBITDA	0.35	-	-
Return on equity (ROE), %	33.0	38.8	19.2
Return on investment (ROI), %	17.9	47.6	21.6
Equity ratio, %	40.2	70.0	65.2
Gearing, %	27.0	-56.9	-9.4
Gross investments, EUR 1,000	2,594	1,280	1,210
% of net sales	2.1	1.1	1.2
Employee salaries, wages and			
bonuses, EUR 1,000	21,186	19,989	19,366
Average personnel	442	433	425
Personnel at the end of the financial year	450	445	446

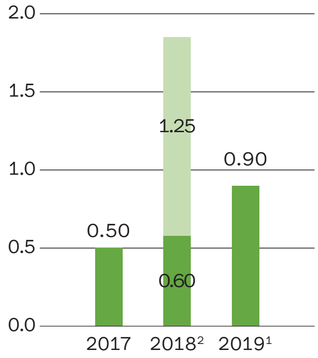
[1] The Board of Directors' proposal to the Annual General Meeting.
[2] Regular dividend EUR 0.60 per share plus additional dividend EUR 1.25 per share.

The adoption of IFRS 16 has affected the comparability of key figures.

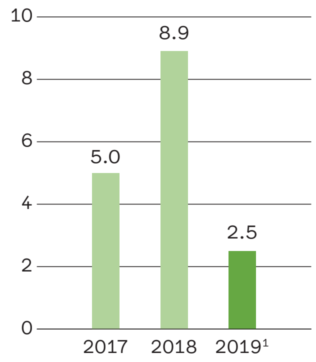
Earnings per share (EUR)



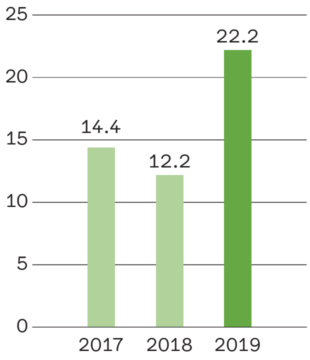
Dividend per share (EUR)



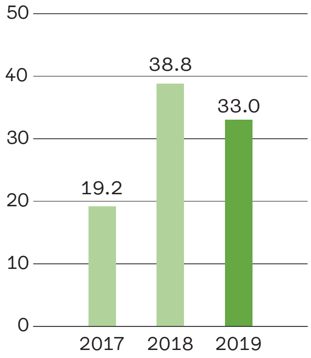
Effective dividend yield (%)



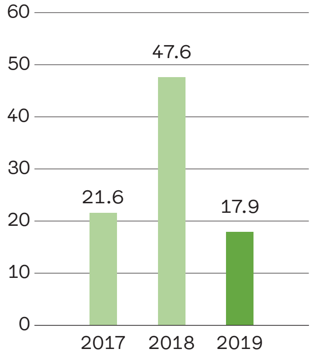
P/E ratio



Return on equity (ROE, %)



Return on investment (ROI, %)



Formulas for the key figures

COMPARABLE EBITDA, EUR	Operating result – depreciation – impairments – items affecting comparability
COMPARABLE OPERATING RESULT, EUR	Operating result – items affecting comparability in operating result
COMPARABLE OPERATING RESULT MARGIN, %	$\frac{\text{Operating result – items affecting comparability in operating result}}{\text{Net sales}} \times 100$
RETURN ON EQUITY (ROE), %	$\frac{\text{Profit before taxes – income taxes}}{\text{Shareholders' equity (average for the financial year)}} \times 100$
RETURN ON INVESTMENT (ROI), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average for the financial year)}} \times 100$
EQUITY RATIO, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$
EARNINGS PER SHARE (EPS), EUR	$\frac{\text{Profit before taxes – income taxes}}{\text{Share issue adjusted average number of shares}}$
EQUITY PER SHARE, EUR	$\frac{\text{Shareholders' equity}}{\text{Number of shares, 31 Dec.}}$
DIVIDEND PER SHARE, EUR	$\frac{\text{Dividend paid for the financial year}}{\text{Number of shares, 31 Dec.}}$
DIVIDEND PER PROFIT, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS), share issue adjusted}} \times 100$
EFFECTIVE DIVIDEND YIELD, %	$\frac{\text{Dividend per share}}{\text{Adjusted share price, 31 Dec.}} \times 100$
P/E RATIO	$\frac{\text{Adjusted share price, 31 Dec.}}{\text{Earnings per share (EPS), share issue adjusted}}$
NET WORKING CAPITAL, EUR	Inventories + trade and other receivables + current tax assets – tax liabilities – current provisions – trade and other payables
INTEREST-BEARING NET DEBT, EUR	Interest-bearing liabilities – cash on hand and at banks – interest-bearing loan receivables
GEARING, %	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$
NET DEBT / EBITDA	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$

Share and shareholders

Share
Marimekko Corporation's share is quoted in the Consumer Goods sector of Nasdaq Helsinki Ltd. Marimekko Corporation was listed on the I List of the Helsinki Stock Exchange in March 1999 and on the main list on 27 December 2002.

The company has one series of shares, each conferring the same voting rights to their holders. The company's shares have been included in the book-entry register since 17 February 1999.

Share capital and number of shares
At the end of 2019, Marimekko Corporation's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000, and the number of shares was 8,129,834.

Authorisations
The Annual General Meeting held on 12 April 2018 authorised the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares. The shares would be acquired with funds from the company's unrestricted equity otherwise than in proportion to the shareholdings of the shareholders through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares would be acquired to be used as a part of the company's incentive compensation program, to be transferred for other purposes or to be cancelled. The authorisation included the right of the Board of Directors to decide on all of the other terms and conditions of the acquisition of the shares. In May 2018, the Board decided to make use of the authorisation granted to it, and purchases of the company's own shares were made between 1 June and 14 August 2018. The authorisation was valid until 12 October 2019. As at 31 December 2019, Marimekko Corporation held 20,000 of its own shares, representing 0.25 percent of the total number of the company's shares.

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation included the right of the Board of Directors to decide on all of the other terms and conditions of the share issue. Pursuant to the authorisation obtained, the Board decided to arrange a directed share issue to the company's personnel and freelance designers in Finland in March 2019. The authorisation was valid until 12 October 2019.

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Half of those entitled to subscribe took part in the share issue. Subscriptions were made by a total of 229 company employees and freelance designers out of 472 who were entitled.

The shares approved in the share issue were entered into the Trade Register on 11 April 2019 and admitted to public trading on Nasdaq Helsinki Ltd on 12 April 2019. After the registration of the new shares, the number of shares in Marimekko Corporation totals 8,129,834.

Shareholder agreements
Marimekko has neither made nor is aware of any shareholder agreements concerning the company's shares or other commitments agreeing on the

Largest shareholders according to the book-entry register, 31 December 2019

	Number of shares and votes	Percentage of holding and votes
1. PowerBank Ventures Ltd (Mika Ihamuotila)	1,017,700	12.52
2. Moomin Characters Oy Ltd	453,740	5.58
3. Ilmarinen Mutual Pension Insurance Company	395,419	4.86
4. Varma Mutual Pension Insurance Company	385,920	4.75
5. Ehrnrooth Anna Sophia	369,024	4.54
6. Evli Finnish Small Cap Fund	245,894	3.03
7. Oy Etra Invest Ab	233,000	2.87
8. Nordea Nordic Small Cap Fund	199,885	2.46
9. Odin Norden	195,594	2.41
10. Veritas Pension Insurance Company Ltd.	160,470	1.97
Total	3,656,646	44.98
Nominee-registered and non-Finnish holders	942,566	11,59
Others	3,530,622	43,43
Total	8,129,834	100.00

Marimekko shares owned directly or indirectly by members of the Board of Directors and the Management Group, 31 December 2019

	Number of shares and votes	Percentage of holding and votes
Mika Ihamuotila	1,017,700	12.52
Rebekka Bay	1,846	0.02
Elina Björklund	11,765	0.14
Arthur Engel	13,404	0.16
Mikko-Heikki Inkeroinen	4,332	0.05
Helle Priess	1,846	0.02
Catharina Stackelberg-Hammarén	4,599	0.06
Tiina Alahuhta-Kasko	28,830	0.35
Elina Anckar	1,190	0.01
Tina Broman	160	0.00
Kari Härkönen	500	0.01
Morten Israelsen	-	-
Tanya Strohmayer	724	0.01
Riika Wikberg	270	0.00
Total	1,087,166	13.37

company's ownership or the use of voting rights.

Dividend policy
Marimekko aims to pay a regular dividend every year. The dividends to be paid and their amount and the payout date depend on the company's financial result, financial situation, equity ratio, need for working capital and other factors. Marimekko intends to follow a stable and active dividends policy that by and large reflects the company's earnings trend. Marimekko's goal is to distribute as dividends at least half of earnings per share annually.

Dividend and additional dividend for 2018
A dividend of EUR 0.60 per share and an additional dividend of EUR 1.25 per share, totalling EUR 15,003 thousand, were paid for 2018 in accordance with the decision of the Annual General Meeting held on 17 April 2019. The dividend was paid out on 30 April 2019.

As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board was based on earnings per share (EPS) and took into consideration the total of the proposed dividends, EUR 1.85 per share.

Proposal for the 2019 dividend
The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.90 per share be paid for 2019. The Board will propose 14 April 2020 as the dividend record date and 21 April 2020 as the dividend payout date.

Shareholders
According to the book-entry register, Marimekko Corporation had 11,511 (8,335) registered shareholders at the end of 2019. Of the shares, 11.59

percent (12.10) were owned by nominee-registered or non-Finnish holders.

Marimekko Corporation held 20,000 of its own shares as at 31 December 2019. These shares accounted for 0.25 percent of the total number of the company's shares. Marimekko shares held by the company carry no voting rights and no entitlement to dividends.

Monthly updated information on the largest shareholders can be found on the company's website at company.marimekko.com under Investors/Share information/ Shareholders.

Flaggings

PowerBank Ventures Ltd's share of Marimekko Corporation's shares and voting rights fell below the threshold of 15 percent on 26 November 2019. After the transaction, the holding of PowerBank Ventures Ltd was 1,017,700 shares which equals 12.52 percent of the number and voting rights of the company's shares. PowerBank Ventures Ltd is a company controlled by Mika Ihamuotila, Chairman of the Board of Directors of Marimekko.

Management's shareholding

At the end of 2019, members of the Board of Directors and the Management Group of the company either directly or indirectly owned 1,087,166 shares, i.e. 13.37 percent of the number and voting rights of the company's shares.

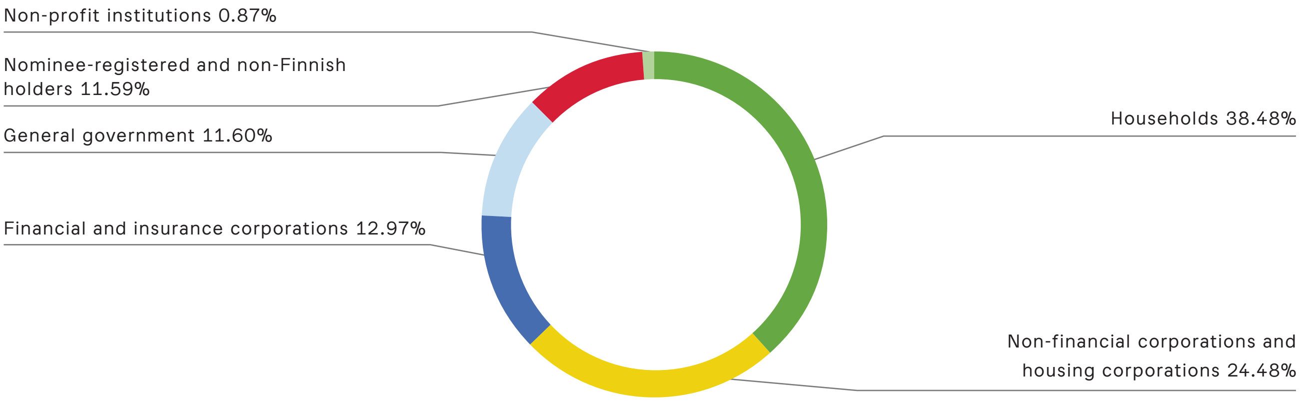
Ownership by size of holding, 31 December 2019

Number of shares	Number of shareholders	%	Number of shares and votes	Percentage of holding and votes
1–100	7,673	66.66	294,640	3.62
101–1,000	3,326	28.89	1,122,554	13.81
1,001–10,000	451	3.92	1,128,879	13.89
10,001–100,000	49	0.42	1,277,153	15.71
100,001–500,000	11	0.10	3,288,908	40.45
500,001–	1	0.01	1,017,700	12.52
Total	11,511	100.00	8,129,834	100.00

Breakdown of ownership by sector, 31 December 2019

Owner	Number of shares and votes	Percentage of holding and votes
Households	3,128,542	38.48
Financial and insurance corporations	1,054,732	12.97
Non-financial corporations and housing corporations	1,990,221	24.48
Non-profit institutions	70,544	0.87
General government	943,229	11.60
Nominee-registered and non-Finnish holders	942,566	11.59
Total	8,129,834	100.00

Breakdown of ownership by sector, 31 December 2019



Share price trend

Share price trend

EUR	2019	2018	2017
Low	20.80	9.92	9.10
High	39.00	23.50	10.99
Average	29.61	16.04	10.09
Closing price (31 Dec.)	35.80	20.80	10.10

Share turnover and market capitalisation

	2019	2018	2017
Share turnover, no. of shares	2,137,688	1,455,424	796,964
Share turnover, % of the shares outstanding	26.3	18.0	9.9
Market capitalisation, EUR[1]	290,332,057	167,847,888	81,705,061

[1] Market capitalisation at the end of the financial year, excluding the Marimekko shares held by the company

Share data

Exchange:	Nasdaq Helsinki Ltd
Trading code:	MMO1V
ISIN code:	FI0009007660
List:	Nordic List
Sector:	Consumer Goods
Listing date:	I list, 12 March 1999; main list, 27 December 2002

Consolidated financial statements, IFRS

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Note	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
NET SALES	1.	**125,419**	**111,879**
Other operating income	2.	616	6,522
Change in inventories of finished goods and work in progress		444	1,169
Raw materials and consumables	3.	-45,391	-42,086
Employee benefit expenses	4.	-27,780	-26,188
Depreciation and impairments	5.	-12,543	-2,501
Other operating expenses	6.	-23,647	-31,075
OPERATING PROFIT		**17,117**	**17,721**
Financial income	7.	462	178
Financial expenses	8.	-1,429	-346
		-966	-168
RESULT BEFORE TAXES		**16,151**	**17,552**
Income taxes	9.	-3,133	-3,855
NET RESULT FOR THE PERIOD		**13,018**	**13,698**
Distribution of net result to equity holders of the parent company		13,018	13,698
Basic and diluted earnings per share calculated on the result			
attributable to equity holders of the parent company, EUR	10.	1.61	1.70

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
Net result for the period	13,018	13,698
Items that could be reclassified to profit or loss at a future point in time		
Change in translation difference	-17	-2
COMPREHENSIVE RESULT FOR THE PERIOD	**13,001**	**13,696**
Distribution of net result to equity holders of the parent company	13,001	13,696

The notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Note	**31 Dec. 2019**	**31 Dec. 2018**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11.1	593	342
Tangible assets	11.2	40,431	4,438
Other financial assets	11.3, 17.	16	16
Deferred tax assets	14.	515	114
		41,555	4,910
CURRENT ASSETS			
Inventories	12.1	22,564	22,114
Trade and other receivables	12.2	6,632	6,916
Cash and cash equivalents	17.	26,133	23,174
		55,329	52,204
ASSETS, TOTAL		**96,884**	**57,114**

(EUR 1,000)	Note	**31 Dec. 2019**	**31 Dec. 2018**
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	13.	8,040	8,040
Reserve for invested non-restricted equity		1,228	502
Treasury shares		-315	-315
Translation differences		-66	-49
Retained earnings		30,037	31,827
Shareholders' equity, total		38,925	40,005
NON-CURRENT LIABILITIES			
Financial liabilities	15.1, 20.	25,950	202
Other non-current liabilities	4.	1,644	415
		27,594	617
CURRENT LIABILITIES	16.		
Trade and other payables		17,796	15,159
Current tax liabilities		2,115	1,128
Financial liabilities	15.2, 20.	10,203	206
Other interest-bearing liabilities	15.2, 20.	251	-
		30,366	16,493
Liabilities, total		57,960	17,110
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**96,884**	**57,114**

The notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net result for the period	13,018	13,698
Adjustments		
Depreciation and impairments	12,543	2,501
Capital gains on fixed assets	-	-6,095
Financial income and expenses	966	168
Taxes	3,133	3,855
Cash flow before change in working capital	29,661	14,127
Change in working capital	2,887	1,549
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-117	-317
Increase (-) / decrease (+) in inventories	-450	-1,194
Increase (+) / decrease (-) in current non-interest-bearing liabilities	3,454	3,059
Cash flow from operating activities before financial items and taxes	32,548	15,675
Paid interest and payments on other financial expenses	-1,408	-315
Interest received and payments on other financial income	404	191
Taxes paid	-2,552	-3,327
CASH FLOW FROM OPERATING ACTIVITIES	**28,992**	**12,225**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,569	-1,073
Proceeds from sale of tangible and intangible assets	-	10,508
Sale of other investments	-	11
CASH FLOW FROM INVESTING ACTIVITIES	**-1,569**	**9,446**
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-	-315
Personnel share issue	726	-
Short-term loans drawn	251	-
Leasing payments	-10,437	-
Finance lease liabilities paid	-	-349
Dividends paid	-15,003	-4,045
CASH FLOW FROM FINANCING ACTIVITIES	**-24,463**	**-4,709**
Change in cash and cash equivalents	2,960	16,962
Cash and cash equivalents at the beginning of the period	23,174	6,212
Cash and cash equivalents at the end of the period	26,133	23,174

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Equity attributable to equity holders of the parent company

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Treasury shares	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 Jan. 2018	**8,040**	**502**	**-**	**-47**	**22,175**	**30,669**
Comprehensive result						
Net result for the period					13,698	13,698
Translation differences				-2		-2
Total comprehensive result for the period				**-2**	**13,698**	**13,696**
Transactions with owners						
Dividends paid					-4,045	-4,045
Acquisition of treasury shares			-315			-315
Shareholders' equity 31 Dec. 2018	**8,040**	**502**	**-315**	**-49**	**31,827**	**40,005**
Shareholders' equity 1 Jan. 2019	**8,040**	**502**	**-315**	**-49**	**31,827**	**40,005**
Comprehensive result						
Net result for the period					13,018	13,018
Translation differences				-17		-17
Total comprehensive result for the period				**-17**	**13,018**	**13,001**
Transactions with owners						
Dividends paid					-15,003	-15,003
Personnel share issue		726				726
Share-based transactions, personnel share issue					195	195
Shareholders' equity 31 Dec. 2019	**8,040**	**1,228**	**-315**	**-66**	**30,037**	**38,925**

The notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Marimekko Corporation is a Finnish clothing and textile design company. Marimekko Corporation and its subsidiaries form a Group that designs, sources, sells and markets clothing, bags and accessories, and interior decoration products. In addition, the company produces printed fabrics in its own textile printing factory.

Marimekko Corporation's shares are quoted on Nasdaq Helsinki Ltd. The company is domiciled in Helsinki, and its registered address is Puusepänkatu 4, 00880 Helsinki, Finland. The financial year of all Group companies is the calendar year.

Copies of the consolidated financial statements are available at company.marimekko.com and the head office of the Group's parent company at Puusepänkatu 4, 00880 Helsinki, Finland.

Marimekko Corporation's Board of Directors approved these financial statements for publication at its meeting on 12 February 2020. According to the Finnish Companies Act, shareholders have the right to accept or reject the financial statements at the Annual General Meeting held after the publication. The Annual General Meeting may also amend the financial statements.

ACCOUNTING POLICY APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policy

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2019. In the Finnish Accounting Act and the provisions laid down pursuant to the Act, International Financial Reporting Standards refer to the standards approved for use in the EU in accordance with the procedures laid down in IAS Regulation (EC) 1606/2002 of the European Parliament, and the interpretations of these standards. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation which complements IFRS regulations.

The financial statements have been prepared at historical cost. Financial statement information is presented in thousands of euros.

Accounting estimates and judgments

The preparation of financial statements in accordance with IFRS calls for the management to use estimates and assumptions with regard to the future. The estimates and assumptions included in the financial statements are based on the best knowledge of the management as at the closing of the books. These estimates and assumptions affect the value of tangible and intangible assets in the balance sheet and the income and expenses for the year in the income statement. Discretion also has to be exercised when the accounting conventions for the financial statements are selected and applied, and estimates have to be made, for example, of depreciation periods, any impairments, valuation of inventories, income taxes, deferred tax assets and provisions. The actual figures may deviate from these estimates.

Principles of consolidation

Marimekko's consolidated financial statements include the accounts of the parent company Marimekko Corporation and its subsidiaries.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to eliminate inter-Group shareholding. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, or from the date of establishment. They are deconsolidated from the date that control ceases. Intra-Group business transactions, intra-Group profit margins related to inventories and fixed assets, intra-Group receivables and liabilities and intra-Group distribution of profit have been eliminated.

Translation of items denominated in foreign currency

The results and financial position of Group units are measured in the currency used in the primary business environment of the unit in question (functional currency). The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company.

Transactions in foreign currencies are recognised in the functional currency at the exchange rate on the date of transaction. The foreign-currency-denominated receivables and liabilities of the parent company and its Finnish subsidiary have been converted to euro amounts using the exchange rates quoted by the European Central Bank on the closing date. The foreign-currency-denominated receivables and liabilities of foreign subsidiaries have been converted at the exchange rate of the country in question on the closing date. Foreign exchange differences in business operations are booked in the corresponding income statement accounts above operating profit and foreign exchange differences on financial items in financial income and expenses.

The foreign-currency-denominated income statements of subsidiaries are converted to euro amounts using the average exchange rate for the financial year and the balance sheets at the exchange rate on the closing date. Differences arising from translation and translation differences in shareholders' equity are recorded as a separate item in shareholders' equity.

Revenue recognition and net sales

The Group sells products in Marimekko's retail stores and online store, and through wholesale channels in Finland and abroad. Most of the Group's income is comprised of wholesale and retail sales of products plus royalties.

The goods are handed over to the customer one item or several items at a time in the stores or by a carrier. The customer can utilise each sold product separately and the utilisation of a single product is not dependent on other products sold by Marimekko. Revenue is recognised when the buyer obtains control of the product – that is when the significant risks and rewards of ownership have been transferred to the buyer. In wholesale, this is mainly the moment when the goods are handed over to the customer as set forth in the agreed delivery clause. In wholesale and export trade, the terms of delivery determine the point of time when the customer obtains control of the goods. In retail where cash or a credit card is used as means of payment, the income is recognised at the time of sale.

Sales revenues are recognised at the amount to which Marimekko expects to be entitled in exchange for transferring the promised goods to the customer, except for amounts collected on behalf of third parties, such as indirect taxes. Discounts granted are taken into account when determining the revenue to be recognised. The fulfilment of performance obligations is verifiable from payment receipts or transportation documents. In compliance with IFRS 15, customer contributions are allocated to distinct goods and recognised as revenue by the Group when the goods are handed over to the customer in the store or when a wholesale customer obtains control of the goods according to the terms of delivery.

Licence revenue is recognised in accordance with the clauses of the agreement between Marimekko and the licensee when the later of the following events occurs:
(a) the subsequent sale or usage occurs, and
(b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been fully or partially satisfied.

The clauses in the licensing agreements provide for royalties payable to Marimekko for sales of products covered by the agreement as percentage-based royalties or lump sum payments based on the fulfilment of performance-based obligations. Some licensees paying percentage-based royalties are according to the agreement obligated to pay at least an annual minimum royalty.

Other operating income

Other operating income includes, for example, rental income from lease agreements classified as other lease agreements, insurance payouts and sales proceeds of fixed assets.

Operating profit

IAS 1 Presentation of Financial Statements does not contain a definition of operating profit. The Group has defined this concept as follows: operating profit is the net amount of net sales and other operating income less purchase expenses adjusted with change in inventories of finished goods and work in progress and the expenses incurred due to production for own use, less employee benefit expenses, depreciation, possible impairment loss and other operating expenses. Any income statement items other than the above are presented below the operating profit. Foreign exchange differences are included in the operating profit, provided they are attributable to items related to business operations. Otherwise they are recognised in financial items.

Employee benefits

Pension commitments

The pension security of the personnel of the Group's Finnish companies has been arranged under the Finnish statutory employee pension plan (TyEL) through an external pension insurance company. Foreign subsidiaries have arranged pensions for their personnel in accordance with local legislation. The Group's pension cover is arranged wholly under defined contribution schemes. Under a defined contribution arrangement, the Group pays contributions to publicly or privately managed pension insurances. These contributions are either compulsory, based on an agreement or voluntary. The Group does not have any payment obligations other than these contributions. The contributions are recognised as employee benefit expenses at the time when they become due. Any contributions paid in advance are included in the assets on the balance sheet, insofar as they are recoverable as future refunds or future reductions of contributions.

Share-based payments

The long-term bonus systems granted to the Management Group by the Board of Directors are valued at fair value at each closing date and the change in fair value is recorded as an employee benefit expense in the income statement to the extent the share-based payments have been vested.

The bonus systems are described in greater detail in note 4 to the consolidated financial statements.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income
Dividend income is recognised as income when the right to dividends is established.

Income taxes
Taxes on the Group companies' financial results for the period, taxes from previous periods and the change in deferred taxes are recorded as the Group's taxes. Taxes on the taxable income for the period are calculated on taxable income in accordance with the tax rate in force in the country in question. Deferred taxes are calculated on all temporary differences between the book value and the taxable value. However, a deferred tax liability is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable income. Deferred tax is not recognised for non-tax-deductible goodwill and deferred tax is not recognised for distributable earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future. Deferred taxes are calculated using the tax rates set by the closing date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit, against which the temporary difference can be utilised, will be available.

Earnings per share
The basic earnings per share are calculated by dividing the result for the period attributable to equity holders of the parent company by the weighted average of shares outstanding. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of the conversion of potential common shares into actual shares during the period. There are no potential shares outstanding at the moment.

Intangible assets
Intangible assets with finite useful lives are recognised in the balance sheet at original cost less depreciation. Depreciation of intangible assets is carried out on a straight-line basis over their estimated useful life.

The estimated useful lives are as follows:
- intangible rights 5–10 years
- computer software 3–5 years.

The major intangible asset items are trademarks. Other intangible assets are computer software and information systems. The Group has not had any such development expenditure that should be recognised as assets under IAS 38 and recorded as amortised expense over their useful life.

Tangible assets
Tangible assets mainly consist of buildings, machinery and equipment. Tangible assets also include expenditures on conversions and renovations of leased premises comprising, for example, completion work on business interiors in rented premises. Tangible assets are recorded in the balance sheet at original cost less depreciation. Depreciation of tangible assets is carried out on a straight-line basis over their estimated useful life.

The estimated useful lives are as follows:
- buildings and structures 3–30 years
- machinery and equipment 3–15 years.

The residual value and useful life of tangible assets are reviewed at the end of each financial year and if necessary adjusted to reflect changes in the expectation of economic benefit.

If a tangible asset consists of several parts with different useful lives, each part is treated as a separate asset. Significant cost of replacing a part is capitalised when the company will derive economic benefit from the asset. Other expenses such as regular maintenance, repair and servicing costs are entered as expenses in the income statement when they are incurred.

Investment aid is recognised as a reduction to investments and the aid recorded in the income statement is booked in other operating income.

Borrowing costs
Borrowing costs are recognised as expenses during the financial year in which they were incurred. Borrowing costs have not been recognised as part of the acquisition cost of assets.

Provisions and contingent liabilities
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A restructuring provision is recognised when the Group has compiled a detailed restructuring plan, launched its implementation or informed the parties concerned.

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations which will most likely not lead to a payment or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the notes.

Impairment
On each closing date, asset items are assessed for indications of impairment. If there are such indications, the recoverable amount of said asset item is estimated. The impairment recognised is

the amount by which the book value of the asset item exceeds its recoverable amount, which is the higher of its net selling price or value in use. Value in use is based on discounted future net cash flows as a rule.

Lease agreements

In accordance with IFRS 16, starting 1 January 2019, the Group assesses at the inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected to separate non-lease components from lease components at the inception of a contract.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, incentives received, initial direct costs incurred and an estimate of costs to restore the underlying asset. The right-of-use asset is depreciated over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise the following: fixed payments and variable lease payments that depend on an index or a rate. An option to extend the lease term is included in the lease term if it is reasonably certain that the option will be exercised.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparison year 2018, in accordance with IAS 17 Leases, lease agreements in which the Group assumes substantially all the risks and rewards incident to ownership of the asset were classified as finance lease agreements. Assets acquired under finance lease agreements, less accumulated depreciation, were recognised in tangible or intangible assets, and the obligations of the agreements were recognised in interest-bearing liabilities. A financial lease was booked in the balance sheet and recognised at fair value of the asset at the time of entering into the lease agreement or, if lower, at the present value of future minimum lease payments. Tangible or intangible fixed assets acquired under finance lease agreements were depreciated in line with the Group's depreciation policy over their useful life or lease period, whichever was shorter, and any impairment loss was recognised. Rents payable under lease agreements were divided into financial expenses and debt repayment.

Lease agreements in which the risks and rewards incident to ownership are retained by the lessor were treated as other lease agreements. Rents payable under other lease agreements were recognised as expenses in the income statement on a straight-line basis over the lease period.

Inventories

Inventories are presented at the acquisition cost or at the lower probable net realisation value. The acquisition cost of manufactured inventories includes not only purchase expenditure on materials, direct labour and other direct costs, but also a share of the fixed and variable general costs of production. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs for completion and selling expenses.

Financial assets

Financial assets are classified based on the Group's financial asset management business model and their contractual cash flow characteristics into the following categories: measured at amortised cost and measured at fair value through profit or loss.

Financial assets measured at amortised cost consist of trade receivables, other receivables and cash and cash equivalents. They are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

For the estimation of expected credit losses on trade receivables, the so-called simplified approach permitted by IFRS 9 is used, according to which credit losses are recorded at an amount equal to lifetime expected credit losses. Expected credit losses are estimated based on historical credit losses, and the model also takes into account the information available on future financial conditions at the time of review. Expected credit losses are recognised in other operating expenses in the income statement.

A final impairment of trade receivables is recognised when there is objective evidence that the Group will not receive all of the benefits on the original terms. Indications of the impairment of trade receivables include significant financial difficulties of the debtor, the likelihood of bankruptcy, failure to make payments, or a delay of over 90 days in paying. Impairment loss is recognised under other operating expenses in the income statement.

Financial assets measured at fair value through profit or loss comprise shares and they are included in noncurrent assets, unless it is intended that they will be held for less than 12 months from the closing date, in which case they are included in current assets. The other financial assets comprise unlisted shares.

Cash and cash equivalents
The Group's cash and cash equivalents include cash on hand and at banks. The Group does not have any other items classified as cash and cash equivalents.

Dividends, shareholders' equity and treasury shares
The Board of Directors' proposal for dividend distribution has not been recognised in the financial statements; dividends are only recognised on the basis of the Annual General Meeting's approval.

Outstanding common shares are presented as share capital. Costs related to the granting or acquisition of the company's own equity instruments are presented as equity allowance. If the company purchases its own shares, the price including direct costs is recognised as decrease in equity.

Financial liabilities
Financial liabilities are initially recognised at fair value including transaction costs and subsequently at amortised cost using the effective interest method. Financial liabilities are non-current, unless they are repayable on demand or the Group intends to repay them within the next 12 months.

Personnel share issue
The personnel share issue arranged in 2019 has been accounted for in accordance with IFRS 2. The subscription price paid by the subscribers, totalling EUR 726 thousand, has been recorded in the reserve for invested non-restricted equity, and the discount granted by the company to the subscribers has been recorded as expense and in retained earnings. The amount recorded in employee benefit expenses and in retained earnings is EUR 195 thousand.

New standards and interpretations
These consolidated financial statements have been prepared using the same accounting principles as were applied in the 2018 financial statements except for IFRS 16, effective as of 1 January 2019. Other new standards, interpretations or amendments to existing standards have had no significant impact on the consolidated financial statements.

IFRS 16 Leases
(effective for financial years beginning on or after 1 January 2019)
For almost all leases, the new standard requires lessees to recognise a lease liability reflecting future rental payments and an asset representing the right to use the leased asset. Lessees no longer classify leases as finance leases or operating leases. The standard contains optional exemptions for certain short-term leases and leases of low-value assets.

Marimekko has adopted IFRS 16 from 1 January 2019. The Group has decided to apply a modified retrospective transition approach for leases existing at the date of transition, and information for the comparative financial year has

Reconciliation, IFRS 16

Operating lease commitments disclosed as at 31 Dec. 2018	48,062
Discounted using the lessee's incremental borrowing rate at the date of initial application[1]	39,062
Add: finance lease liabilities recognised as at 31 Dec. 2018	408
Less: short-term leases not recognised as a liability	-192
Less: low-value leases not recognised as a liability	-33
Add: contracts reassessed as leases	63
Add: adjustments as a result of a different treatment of extension and termination options	2,470
Lease liability recognised as at 1 Jan. 2019	41,778
Of which	
Current lease liabilities	10,149
Non-current lease liabilities	31,629

[1] The weighted average discount rate was 2.4 percent, i.e. the average of the lessee's incremental borrowing rates used to determine the lease liability recognised at the date of initial application, 1 Jan. 2019.

Adjustments recorded on the balance sheet 1 Jan. 2019

The amendment to accounting principles had an impact on the following balance sheet items on 1 Jan. 2019:	
Right-of-use assets	41,778
Lease liabilities	41,778

not been restated. The Group has applied exemptions allowed in the standard to exclude short-term leases and leases where the underlying asset is of low value.

Marimekko is a lessee. Lease contracts include headquarter and printing facilities in Helsinki, business premises in Finland and other countries where Marimekko operates as well as company housing and leasing cars. In general, lease contracts vary from 1 year to 15 years.

At the end of the year, the impact of IFRS 16 on the company's non-current assets was EUR 35,766 thousand. Correspondingly, non-current and current interest-bearing liabilities in the consolidated balance sheet include a total of EUR 36,153 thousand in lease liabilities. The adoption of IFRS 16 has also impacted key ratios which are based on balance sheet such as net debt as it has substantially increased both the Group's interest-bearing net debt and its non-current assets and has improved the Group's EBITDA by EUR 11,336 thousand.

In 2019, the company recorded EUR 10,824 thousand in IFRS 16 depreciation, adjusted rental expense of EUR 11,336 thousand in other operating expenses and EUR 898 thousand in interest expenses. Therefore, key figures such as EBITDA are not comparable with the figures for the year before. The impact on EPS has not been significant. In the cash flow statement, the adoption of IFRS 16 increased cash flow from operating activities and reduced cash flow from financing activities by EUR 10,437 thousand.

Adoption of new and amended standards in future financial years

- Amendments to references to conceptual framework in IFRS standards (effective for financial years beginning on or after 1 January 2020). The revised framework codifies the IASB's thinking adopted in recent standards. The conceptual framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. The framework does not overrule any individual IFRS.
- Amendments to IFRS 3 – definition of a business (effective for financial years beginning on or after 1 January 2020).[2] The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- Amendments to IAS 1 and IAS 8 – definition of material (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of the concept across all IFRS. In addition, the explanations accompanying the definition have been improved.
- Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for financial years beginning on or after 1 January 2020).[2] Amendments have been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBORs). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead-up to IBOR reform.

The Group will adopt future standards and interpretations from the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial year, from the beginning of the financial year following the effective date.

Other new or amended standards or interpretations have no impact on the Group's financial statements.

[2] Not yet endorsed for use in the EU as at 31 December 2019.

1. SEGMENT INFORMATION AND DISTRIBUTION OF SALES

The Group's business segment is the Marimekko business. The segment information presented by the Group is based on internal reporting to the chief operational decision-maker. The President and CEO of the company acts as the chief operational decision-maker.

The total amount of assets in Finland was EUR 77,743 thousand (48,003), of which the amount of non-current assets excluding financial instruments and deferred tax assets was EUR 30,988 thousand (4,088). The amount of assets in other countries was EUR 19,141 thousand (9,111), of which non-current assets accounted for EUR 10,052 thousand (708). The increase in assets in 2019 was due to the adoption of IFRS 16.

Marimekko has no individual customers representing 10 percent or more of the Group's total income.

Net sales by market area

(EUR 1,000)	**2019**	**2018**
Finland		
Retail sales	51,918	45,062
Wholesale sales	19,012	18,299
Licencing income	233	176
Total	71,163	63,537
Scandinavia		
Retail sales	5,434	5,283
Wholesale sales	3,862	3,733
Licencing income	-	-
Total	9,297	9,017
EMEA		
Retail sales	1,568	1,493
Wholesale sales	9,980	8,426
Licencing income	443	401
Total	11,992	10,321
North America		
Retail sales	5,798	5,222
Wholesale sales	1,987	2,664
Licencing income	472	307
Total	8,257	8,193
Asia-Pacific		
Retail sales	4,378	4,024
Wholesale sales	18,733	16,384
Licencing income	1,600	403
Total	24,712	20,811
International sales, total		
Retail sales	17,178	16,023
Wholesale sales	34,562	31,207
Licencing income	2,516	1,112
Total	54,256	48,342
Retail sales	69,096	61,085
Wholesale sales	53,574	49,506
Licencing income	2,748	1,288
Total	125,419	111,879

Net sales by product line

(EUR 1,000)	2019	2018
Fashion	46,746	39,107
Home	47,941	46,395
Bags and accessories	30,732	26,377
Total	125,419	111,879

Investments (excluding the impact of IFRS 16)

(EUR 1,000)	2019	2018
Finland	2,516	952
Other countries	78	328
Total	2,594	1,280

2. OTHER OPERATING INCOME

(EUR 1,000)	2019	2018
Rental income	140	233
Sale of property	-	6,095
Other income	475	194
Total	616	6,522

3. RAW MATERIALS AND CONSUMABLES

(EUR 1,000)	2019	2018
Materials and supplies		
Purchases during the financial year	28,532	27,636
Increase (-) / decrease (+) in inventories	-5	-39
Total	28,526	27,597
External services	16,865	14,489
Total	45,391	42,086

Exchange rate differences included in raw materials and consumables

Exchange rate gains (-) / losses (+) on purchases	149	117

4. EMPLOYEE BENEFIT EXPENSES

(EUR 1,000)	2019	2018
Salaries, wages and bonuses	21,186	19,989
Share-based payments	1,229	592
Pension expenses – defined contribution plans	2,916	2,823
Other indirect social expenditure	2,449	2,784
Total	27,780	26,188

Average number of employees

	2019	2018
Salaried employees	419	408
Production personnel	23	25
Total	442	433

Share-based payments

During the financial year, the Marimekko Group had a long-term bonus system targeted at the Management Group.

On 7 May 2014, the Board of Directors of Marimekko Corporation agreed on establishing a long-term bonus system. The system was composed of two earnings periods, which were 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period was based on the total yield on Marimekko Corporation’s shares, including dividends. At the end of the first earnings period, on 31 October 2017, the value of the share was below the target price. The second earnings period ended on 28 February 2018, and a total of EUR 177 thousand was paid in bonuses in spring 2018. Earning the bonus required that the person was still working for the company at the time of the payment and that the person in question committed themselves to using 50 percent of the net value of the bonus for acquiring the company’s shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. At the time of its conclusion, the system encompassed eight Management Group members, including the President and CEO.

On 14 February 2018, the Board of Directors of Marimekko Corporation agreed on establishing a new long-term bonus system. The system is composed of two earnings periods, which are 1 April 2018–30 September 2021 and 1 April 2018–31 January 2022. The possible bonus for each earnings period is based on the total yield on Marimekko Corporation’s shares, including dividends. The bonus is planned to be paid half in company shares and half in cash. The shares received as part of the bonus are subject to a two-year transfer restriction. Earning the bonus requires that the person is still working for the company at the time of the payment. The annual maximum value of the bonus paid to a member of the Management Group under the bonus system equals the approximate value of annual gross salary. The system encompasses seven Management Group members, including the President and CEO. The company has the option of paying the bonus entirely in cash by a decision of the Board of Directors.

The fair value of granted share-based payments has been determined using the binary cash-or-nothing call option valuation model. The significant measurement parameters in the model are an initial share value of EUR 14.21, i.e. EUR 12.92, which is the weighted average share price between 1 and 31 March 2018, plus 10 percent, and a volatility of 27 percent. The grant date of the share-based payments is the date of the Board resolution. The fair value of the payments at the end of the grant month was EUR 1.76/option, so the total fair value of the plan amounted to EUR 813 thousand. Granted share-based payments are subsequently valued at fair value at each closing date and the change in fair value is recorded in the income statement to the extent the payments are vested. The bonus payable for an earnings period is an amount equivalent to 1.5 months’ gross salary for each one (1) euro, with which the closing share price (inclusive of dividends) exceeds the initial share value of EUR 14.21. Gross salary is defined for the purposes of the plan as the fixed monthly salary, inclusive of fringe benefits, paid at the beginning of the earnings period. At the end of 2019, the fair value of the share-based payments vested and booked as current liabilities was EUR 1,644 thousand (415). The EUR 1,229 thousand (415) increase in fair value, calculated as described above, was booked in employee benefit expenses in the 2019 consolidated income statement.

5. DEPRECIATION AND IMPAIRMENTS

(EUR 1,000)	**2019**	**2018**
Intangible assets		
Intangible rights	61	96
Computer software	468	1,247
Total	529	1,343
Tangible assets		
Buildings and structures	646	144
Machinery and equipment	545	1,014
Right-of-use assets, buildings and structures	10,702	-
Right-of-use assets, machinery and equipment	122	-
Total	12,015	1,158
Total	12,543	2,501

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2019	2018
Leases	1,539	11,808
Marketing	7,379	6,292
Management and maintenance of business premises	1,342	1,348
Administration	7,092	5,419
Other expenses	6,295	6,208
Total	23,647	31,075

Due to the adoption of IFRS 16, rental expenses decreased and depreciation correspondingly increased markedly.

Rents

(EUR 1,000)	2019
Low-value rents	596
Short-term rents	390
Variable rents	553
Total	1,539

Auditor's fee

(EUR 1,000)	2019	2018
KPMG		
Audit	94	74
Other services	56	33
Total	150	107
Others		
Audit	5	5
Total	5	5

Remuneration to KPMG Oy Ab on other services to Marimekko Group companies: EUR 38 thousand (11).

Exchange rate differences included in other operating expenses

Exchange rate gains (-) / losses (+) on sales	2	308

7. FINANCIAL INCOME

(EUR 1,000)	2019	2018
Interest income on loans and other receivables	22	28
Exchange rate gains, realised	381	150
Exchange rate gains, unrealised	58	-
Total	462	178

8. FINANCIAL EXPENSES

(EUR 1,000)	**2019**	**2018**
Interest expenses on financial liabilities measured at amortised cost	118	57
Interest expenses on lease liabilities	898	-
Exchange rate losses	405	214
Interest expenses on finance lease liabilities	-	38
Other financial expenses	8	37
Total	1,429	346

9. INCOME TAXES

(EUR 1,000)	**2019**	**2018**
Taxes on taxable earnings for the financial year	3,566	3,888
Taxes from previous financial years	-33	15
Deferred taxes	-400	-49
Total	3,133	3,855

Reconciliation statement of taxes calculated on the basis of tax expenses in the income statement and the Group's Finnish tax rate (20 percent in both 2019 and 2018)

Result before taxes	16,151	17,552
Taxes calculated at the Finnish tax rate	3,230	3,510
Different tax rates of foreign subsidiaries	-56	-1
Non-recognised deferred tax assets on taxable losses	121	96
Taxes from previous financial years	-36	17
Non-deductible items	-126	233
Taxes in the income statement	3,133	3,855

10. EARNINGS PER SHARE

	2019	**2018**
Net result for the period, EUR 1,000	13,018	13,698
Weighted average number of shares, 1,000	8,100	8,080
Basic and dilluted earnings per share, EUR	1.61	1.70

11. NON-CURRENT ASSETS

11.1 Intangible assets

2019

(EUR 1,000)	Intangible rights	Computer software	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2019	2,403	7,219		9,622
Translation differences	1	-111		-110
Increases	6	148	92	246
Classification adjustment		612		612
Transfers between categories		146	-63	83
Acquisition cost, 31 Dec. 2019	2,410	8,014	29	10,453
Accumulated depreciation, 1 Jan. 2019	2,290	6,990		9,280
Translation differences	-1	52		51
Depreciation during the financial year	61	468		529
Accumulated depreciation, 31 Dec. 2019	2,350	7,510		9,860
Book value, 31 Dec. 2019	60	504	29	593
Book value, 1 Jan. 2019	113	229		342
Book value, 31 Dec. 2019	60	504	29	593

2018

(EUR 1,000)	Intangible rights	Computer software	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2018	2,394	6,686		9,080
Translation differences	1	284		285
Increases	8	249		257
Acquisition cost, 31 Dec. 2018	2,403	7,219		9,622
Accumulated depreciation, 1 Jan. 2018	2,192	5,743		7,935
Translation differences	1			1
Depreciation during the financial year	96	1,247		1,343
Accumulated depreciation, 31 Dec. 2018	2,290	6,990		9,280
Book value, 31 Dec. 2018	113	229		342
Book value, 1 Jan. 2018	202	943		1,145
Book value, 31 Dec. 2018	113	229		342

11.2 Tangible assets

2019

(EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Right-of-use assets, buildings and structures	Right-of-use assets, machinery and equipment	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2019	55	5,433	22,259			83	27,830
Adoption of IFRS 16, 1 Jan. 2019				41,569	209		41,778
Translation differences		-8	68	146			206
Increases		95	110	4,539	136	2,142	7,022
Decreases			-1,332				-1,332
Classification adjustment		-612					-612
Transfers between categories		124	944			-1,151	-83
Acquisition cost, 31 Dec. 2019	55	5,032	22,049	46,253	345	1,074	74,808
Accumulated depreciation, 1 Jan. 2019		3,885	19,506				23,392
Translation differences		-266	159	8			-99
Accumulated depreciation of decreases			-931				-931
Depreciation during the financial year		646	544	10,702	122		12,014
Accumulated depreciation, 31 Dec. 2019		4,265	19,279	10,710	122		34,376
Book value, 31 Dec. 2019	55	767	2,770	35,543	223	1,074	40,431
Book value, 1 Jan. 2019	55	1,548	2,752			83	4,438
Book value, 31 Dec. 2019	55	767	2,770	35,543	223	1,074	40,431

2018

(EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2018	3,515	19,870	20,789		44,174
Translation differences		-1,328	920		-408
Increases			919	104	1,023
Decreases	-3,460	-13,109	-391		-16,960
Transfers between categories			21	-21	
Acquisition cost, 31 Dec. 2018	55	5,433	22,259	83	27,830
Accumulated depreciation, 1 Jan. 2018	692	13,519	17,856		32,068
Accumulated depreciation of decreases	-692	-8,085	-98		-8,875
Translation differences		-1,693	734		-959
Depreciation during the financial year		144	1,014		1,158
Accumulated depreciation, 31 Dec. 2018		3,885	19,506		23,392
Book value, 31 Dec. 2018	55	1,548	2,752	83	4,438
Book value, 1 Jan. 2018	2,823	6,351	2,933		12,107
Book value, 31 Dec. 2018	55	1,548	2,752	83	4,438

Finance lease agreements – 2018, IAS 17

Machinery and equipment in tangible assets included the following assets acquired under finance lease agreements. The finance lease assets relate to machinery and equipment leased under a finance lease agreement since 1 January 2014.

(EUR 1,000)	Land	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2018	3,460	984	4,444
Increases		371	371
Decreases	-3,460		-3,460
Acquisition cost, 31 Dec. 2018		1,355	1,355
Accumulated depreciation, 1 Jan. 2018	692	668	1,360
Accumulated depreciation of decreases	-692		-692
Depreciation during the financial year		286	286
Accumulated depreciation, 31 Dec. 2018		954	954
Book value, 31 Dec. 2018		401	401
Book value, 1 Jan. 2018	2,768	316	3,084
Book value, 31 Dec. 2018		401	401

11.3 Other financial assets

(EUR 1,000)	2019	2018
Other financial assets	16	16

Other financial assets comprise unlisted shares, which are presented at cost, i.e. the managment's best estimate of fair value.

12. CURRENT ASSETS

12.1 Inventories

(EUR 1,000)	2019	2018
Raw materials and consumables	4,420	4,747
Finished products/goods	18,144	17,367
Total	22,564	22,114
Impairments recognised on inventories	-526	-286

12.2 Trade and other receivables

(EUR 1,000)	2019	2018
Trade receivables	5,402	4,878
Prepayments for inventory purchases	-	714
Other receivables	504	478
Prepaid expenses and accrued income	726	847
Total	6,632	6,916

Prepaid expenses and accrued income		
Royalty receivables	227	187
Employee benefits	25	20
Other prepaid expenses and accrued income	474	640
Total	726	847

Analysis of trade receivables by age

(EUR 1,000)	2019	2018
Trade receivables not past due	3,909	3,772
Past due		
less than 30 days	1,109	765
30–60 days	284	108
more than 60 days	100	233
Total	5,402	4,878

The amount of credit losses recognised on the Group's trade receivables is not significant. The expected credit loss risk is not material due to the Group's effective credit management policy, where the credit history of wholesale customers is monitored regularly and prepayments, guarantees and letters of credit are used when needed.

13. SHAREHOLDERS' EQUITY

	Number of shares	Share capital, EUR	Reserve for invested non-restricted equity, EUR	Number of treasury shares	Treasury shares, EUR	Total, EUR
1 Jan. 2018	8,089,610	8,040,000	501,969	-	-	8,541,969
Acquisition of treasury shares	-20,000			20,000	-314,720	-314,720
31 Dec. 2018	8,069,610	8,040,000	501,969	20,000	-314,720	8,227,249
1 Jan. 2019	8,069,610	8,040,000	501,969	20,000	-314,720	8,227,249
Personnel share issue	40,224		725,988			725,988
31 Dec. 2019	8,109,834	8,040,000	1,227,957	20,000	-314,720	8,953,237

Marimekko Corporation's Articles of Association do not specify maximum share capital. Marimekko Corporation has one series of shares. The shares do not have a nominal value. All shares in issue have been paid in full. As at 31 December 2019, Marimekko Corporation held 20,000 treasury shares. The Group does not have any share option schemes. After the closing date, the Board of Directors has proposed that a dividend of EUR 0.90 per share be paid for 2019 (0.60 plus additional dividend 1.25).

The reserve for invested non-restricted equity contains other equity-like investments and the share subscription price to the extent that this is not entered in share capital by a specific decision.

14. DERERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset against each other where the Group has a legally enforceable right to offset deferred tax assets and liabilities based on taxable earnings for the period against each other and where they relate to income taxes levied by the same taxation authority on the same taxpayer or different taxpayers and the intention is to settle on a net basis. The amounts offset against each other are as follows:

Changes in deferred taxes in 2019

(EUR 1,000)	1 Jan. 2019	Recognised in the income statement	31 Dec. 2019
Deferred tax assets			
Internal margin of inventories	369	64	433
Employee benefits	82	246	328
Lease liabilities	0	82	82
Other	9	-	9
Total	461	392	853
Deferred tax liabilities			
Accumulated depreciation difference	-214	10	-204
Fixed costs included in inventories	-133	-1	-134
Total	-347	9	-338
Deferred tax asset, net	114		515

Changes in deferred taxes in 2018

(EUR 1,000)	1 Jan. 2018	Recognised in the income statement	31 Dec. 2018
Deferred tax assets			
Internal margin of inventories	382	-13	369
Employee benefits	1	81	82
Provisions	6	3	9
Total	390	71	461
Deferred tax liabilities			
Accumulated depreciation difference	-240	26	-214
Fixed costs included in inventories	-135	2	-133
Finance lease liabilities	51	-51	0
Total	-324	-23	-347
Deferred tax asset, net	66		114

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets amounting to EUR 63 thousand (39) have not been recognised.

15. INTEREST-BEARING LIABILITIES

15.1 Non-current liabilities

(EUR 1,000)	**2019**	**2018**
Lease liabilities	25,950	-
Finance lease liabilities	-	202
Total	25,950	202

15.2 Current liabilities

(EUR 1,000)	**2019**	**2018**
Lease liabilities	10,203	-
Finance lease liabilities	-	206
Other interest-bearing liabilities	251	-
Total	10,454	206

The interest rate varied between 1.5 and 4.4 percent (0.3–0.9).

15.3 Finance lease liabilities (IAS 17)

Gross amount of finance lease liabilities – minimum lease payments by due date:

(EUR 1,000)	**2018**
No later than 1 year	268
Later than 1 year – no later than 5 years	281
Total	549
Future financial expenses	-141
Current value of the finance lease liabilities	408

The current value of the finance lease liabilities matures as follows:

No later than 1 year	202
Later than 1 year – no later than 5 years	206
Current value of finance lease liabilities	408

16. OTHER CURRENT LIABILITIES

(EUR 1,000)	**2019**	**2018**
Trade payables and other current liabilities		
Trade payables	7,835	6,148
Other payables	2,250	2,588
Accrued liabilities and deferred income	6,656	5,599
Advances received	1,055	824
Total	17,796	15,159

Accrued liabilities and deferred income		
Employee benefits	3,636	3,527
Other accrued liabilities and deferred income	3,020	2,072
Total	6,656	5,599

17. FINANCIAL ASSETS AND LIABILITIES

Financial assets measured at fair value through profit or loss

(EUR 1,000)	2019	2018
Other financial assets	16	16

Financial assets measured at fair value through profit or loss comprise unlisted shares. Their carrying amount equals their fair value.

Financial assets measured at amortised cost

Trade receivables	5,402	4,878
Other receivables	1,230	2,038
Cash and cash equivalents	26,133	23,174

Financial liabilities measured at amortised cost

Trade payables	7,835	6,148
Credit facilities drawn down	251	-
Other liabilities	9,961	9,426

The fair value of financial assets and liabilities measured at amortised cost equals their book value.

18. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(EUR 1,000)	2019	2018
Other own liabilities and commitments		
Lease liabilities for machinery and equipment	617	280
Liabilities related to lease agreements for business premises[1]	-	47,782
Commitments, total	617	48,062

Other lease agreements		
The Group as lessee		
Minimum lease payments under other non-cancellable lease agreements		
No later than 1 year	-	11,322
Later than 1 year – no later than 5 years	-	21,517
Later than 5 years	-	15,223
Total	-	48,062

[1] The marked change is due to the adoption of IFRS 16.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include the members of the Board of Directors and the Management Group, their related parties as well as the parent company and subsidiaries.

The following members of the Board of Directors and the Management Group were related parties to the Group in 2019:

Mika Ihamuotila, Chairman of the Board
Elina Björklund, Vice Chairman of the Board
Rebekka Bay, member of the Board
Arthur Engel, member of the Board
Mikko-Heikki Inkeroinen, member of the Board
Helle Priess, member of the Board
Catharina Stackelberg-Hammarén, member of the Board
Tiina Alahuhta-Kasko, President and CEO, member of the Management Group
Elina Anckar, Chief Financial Officer and member of the Management Group
Tina Broman, Chief Supply Chain and Product Officer and member of the Management Group
Kari Härkönen, Chief Digital Officer and member of the Management Group
Morten Israelsen, Chief Sales Officer and member of the Management Group
Tanya Strohmayer, Human Resources Director and member of the Management Group
Riika Wikberg, Head of Business Development and member of the Management Group

The following members of the Board of Directors and the Management Group were related parties to the Group in 2018:

Mika Ihamuotila, Chairman of the Board
Elina Björklund, Vice Chairman of the Board
Rebekka Bay, member of the Board
Arthur Engel, member of the Board
Mikko-Heikki Inkeroinen, member of the Board
Helle Priess, member of the Board
Catharina Stackelberg-Hammarén, member of the Board
Tiina Alahuhta-Kasko, President and CEO, member of the Management Group
Elina Anckar, Chief Financial Officer and member of the Management Group
Tina Broman, Chief Supply Chain and Product Officer and member of the Management Group
Kari Härkönen, Chief Digital Officer and member of the Management Group
Morten Israelsen, Chief Sales Officer and member of the Management Group from 29 October 2018
Päivi Lonka, Chief Sales Officer and member of the Management Group until 29 October 2018
Päivi Paltola, Chief Marketing Officer and member of the Management Group until 12 October 2018
Tanya Strohmayer, Human Resources Director and member of the Management Group
Riika Wikberg, Head of Business Development and member of the Management Group from 15 February 2018

The relationships of the Group's parent company and subsidiaries are as follows:

Parent company

Marimekko Corporation, Helsinki, Finland[1]

Subsidiaries

Company and domicile	Group's holding, %	Share of voting rights, %
Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland[2]	-	-
Marimekko Services Oy, Helsinki, Finland	100	100
Marimekko AB, Stockholm, Sweden[3]	100	100
Marimekko Australia PTY Ltd, Victoria, Australia	100	100
Marimekko GmbH, Frankfurt am Main, Germany	100	100
Marimekko North America LLC, Delaware, United States	100	100
Marimekko North America Retail LLC, Delaware, United States	100	100
Marimekko North America Holding Co, Delaware, United States	100	100
Marimekko Trading (Shanghai) Co., Ltd, Shanghai, China	100	100
Marimekko UK Ltd, London, United Kingdom	100	100

[1] Marimekko Corporation has branches in France and Belgium.
[2] Consolidated until 11 April 2018.
[3] Marimekko AB has branches in Norway and Denmark.

The following transactions were carried out with related parties:

Management's employee benefits

Employee benefits of the President and CEO and other members of the Management Group in 2019

(EUR 1,000)	Salaries and bonuses	Share-based bonus system	Total
Mika Ihamuotila, Chairman of the Board	70	-	70
Tiina Alahuhta-Kasko, President and CEO	413	-	413
Other members of the Management Group	1,001	-	1,001
Total	1,484	-	1,484

In the personnel share issue arranged in spring 2019, the President and CEO subscribed for 21,865 shares and the other members of the Management Group a total of 1,000 shares.

Remuneration to the Board of Directors in 2019

(EUR 1,000)	
Rebekka Bay[4]	32
Elina Björklund	41
Arthur Engel[5]	32
Mika Ihamuotila	48
Mikko-Heikki Inkeroinen	29
Helle Priess[6]	106
Catharina Stackelberg-Hammarén	29
Total	317

Management's employee benefits in 2019, total	1,801

[4] Board remuneration EUR 26 thousand and payments for consulting services EUR 6 thousand.
[5] Board remuneration EUR 26 thousand and payments for consulting services EUR 6 thousand.
[6] Board remuneration EUR 26 thousand and payments for consulting services EUR 80 thousand.

Employee benefits of the President and CEO and other members of the Management Group in 2018

(EUR 1,000)	**Salaries and bonuses**	**Share-based bonus system**	**Total**
Mika Ihamuotila, full-time Chairman of the Board	123	-	123
Tiina Alahuhta-Kasko, President and CEO	330	73	403
Other members of the Management Group	1,023	104	1,127
Total	1,476	177	1,653

Remuneration to the Board of Directors in 2018

(EUR 1,000)	
Rebekka Bay[1]	28
Elina Björklund	30
Arthur Engel[2]	26
Mika Ihamuotila	40
Mikko-Heikki Inkeroinen	22
Helle Priess[3]	102
Catharina Stackelberg-Hammarén	22
Total	270

Management's employee benefits in 2018, total	1,923

[1] Board remuneration EUR 22 thousand and payments for consulting services EUR 6 thousand.
[2] Board remuneration EUR 22 thousand and payments for consulting services EUR 4 thousand.
[3] Board remuneration EUR 22 thousand and payments for consulting services EUR 80 thousand.

Pension benefits include only statutory pension payments. The management does not have additional pension benefits.

Related parties are among beneficiaries of share-based bonus systems. The management's long-term bonus systems are presented in greater detail under note 4 to the financial statements.

20. FINANCIAL RISK MANAGEMENT

During the normal course of its business operations, the Marimekko Group is exposed to financial risks. The principal financial risks are liquidity risk, credit risk, foreign currency risk and interest rate risk.

The company's Board of Directors has confirmed the principles, responsibilities and organisation of risk management for the Group. The Board of Directors also monitors the success of risk management. According to its risk management principles, Marimekko classifies its risks as strategic, operational, economic and accident risks. Economic risks include financial risks. Responsibility for the implementation of risk management measures concerning financial risks lies with the Group's Chief Financial Officer. The main objective of financial risk management is to ensure reasonably-priced financing in all circumstances, and thereby minimise the unfavourable effects, if any, on the Group's financial performance. Marimekko has not used derivative instruments when hedging against risks.

Liquidity risk

The Group continuously seeks to assess and monitor the amount of funding required for business operations to ensure that sufficient liquid funds are available for daily business and repayment of maturing debts. The assessment is based on monthly cash flow and liquidity forecasts. The Group aims to maintain a high liquidity level at all times in order to eliminate liquidity risk. This objective was succesfully achieved in 2019. In order to minimise liquidity risk, the Group's near-term and next few years' financing needs can be covered by liquid funds as well as committed long-term or short-term credit facilities or credit facilities valid until further notice. At the end of the financial year, the Group had access to credit facilities totalling EUR 14,155 thousand (13.000). The amount of credit facilities drawn down at the end of the year was EUR 251 thousand.

Maturity analysis for the Group's financial liabilities; the figures are not discounted, and they include both interest payments and capital repayments:

31 Dec. 2019

(EUR 1,000)	Less than 1 year	1–2 years	3–5 years	Over 5 years
Lease liabilities	10,203	7,757	8,820	9,373
Credit facilities drawn down	251	-	-	-
Trade and other payables	17,796	-	-	-
Total	28,250	7,757	8,820	9,373

31 Dec. 2018

(EUR 1,000)	Less than 1 year	1–2 years	3–5 years	Over 5 years
Finance lease liabilities	202	183	23	-
Trade and other payables	15,574	-	-	-
Total	15,776	183	23	-

Credit risk

The trade receivables generated in the Group's wholesale operations are associated with a credit risk, which is reduced by the Group's broad and geographically diverse clientele. Marimekko continuously monitors the credit limits, credit history and financial situation of its customers. The Group has a centralised process in place for this purpose. Responsibility for the credit monitoring process lies with the Group's Chief Financial Officer. The credit risk related to wholesale operations is also reduced by means of advance payments, bank guarantees and letters of credit.

Retail customers pay for their purchases using cash or the most common credit cards.

Note 12.2 (Trade and other receivables) to the consolidated financial statements includes an analysis of trade receivables by age.

Foreign currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and foreign-currency-denominated net investments in units abroad.

Transaction risk

The Group's transaction risk derives from currency flows connected with wholesale and retail sales as well as purchases and operating expenses of the Group's business units, and from loans and receivables denominated in foreign currency. The Group's principal sales currency is the euro. The other significant sales and invoicing currencies are the US dollar, Swedish krona, Danish krone, Norwegian krone, Australian dollar and Canadian dollar. The principal currencies used for purchases are the euro and, to a lesser extent, the US dollar. In 2019, foreign-currency-denominated sales accounted for approximately 19 percent (20) of the Group's total sales and foreign-currency-denominated purchases made up about 19 percent (15) of the Group's purchases.

Marimekko protects itself against the transaction risk of sales by taking account of estimated exchange rate changes at the time of sale when carrying out wholesale and retail pricing of products. Foreign subsidiaries are financed primarily in local currency, so they do not incur significant transaction risk.

The Group's transaction exposure

Foreign-currency-denominated assets and liabilities (cash and cash equivalents, trade receivables and trade payables) converted to euro amounts using the exchange rates quoted on the closing date

(EUR 1,000)	2019			2018		
	USD	SEK	AUD	USD	SEK	AUD
Current assets	988	2,796	2,280	1,131	3,084	1,161
Current liabilities	-586	-509	-191	-785	-384	-178
Foreign currency exposure in the balance sheet	402	2,287	2,089	346	2,700	983

Sensitivity analysis, effect on result after taxes

The strengthening or weakening of the euro against the US dollar, the Swedish krona or the Australian dollar would, given that all other factors remain unchanged, impact the Group's result after taxes as follows. The impact portrays the Group's transaction risk.

	2019			2018		
	USD	SEK	AUD	USD	SEK	AUD
Strengthening of the euro by 10 percent						
Effect on result after taxes, EUR 1,000	319	-244	-123	-73	-266	-150

Translation risk

The Marimekko Group incurs translation risk when the financial statements of foreign subsidiaries are translated into euro amounts in the consolidated financial statements. For foreign-currency-denominated net investments, the effects of changes in foreign exchange rates appear as translation differences in the Group's equity. Marimekko has so far not hedged against translation risk for equity, as the subsidiary sales and net investments are small from the Group's perspective.

Interest rate risk

The Group's interest rate risk primarily results from changes in interest rates on cash and cash equivalents and on current and non-current interest-bearing liabilities due to changes in market rates. Changes in the interest rates on these assets and liabilities have an impact on the Group's profit.

(EUR 1,000)	2019	2018
Cash and cash equivalents	26,133	23,174
Lease liabilities	36,153	-
Credit facilities drawn down	251	-
Finance lease liabilities	-	408

21. CAPITAL MANAGEMENT

The purpose of capital management is to maintain a capital structure that optimally supports the Group's strategic objectives. Efficient capital management measures ensure normal operating conditions for the business and increase shareholder value in the long term. The principal factors affecting the capital structure are profitability, dividend distribution and investments. The capital managed equals the shareholders' equity shown on the consolidated balance sheet. No external capital requirements are applied to the Group.

The Group continuously monitors its capital structure. The Group's strategic objective is to keep the ratio of net debt to EBITDA at or below 2 (one of the company's long-term financial goals). At the end of 2019, the ratio of net debt to EBITDA was 0.35, i.e. well below the long-term goal level.

Net debt / EBITDA

(EUR 1,000)	**2019**
Interest-bearing liabilities	
Non-current lease liabilities	25,950
Current lease liabilities	10,203
Other current interest-bearing liabilities	251
Total	36,404
Cash and cash equivalents	26,133
Net debt	10,271
EBITDA	29,661
Net debt / EBITDA	0.35

22. EVENTS AFTER THE CLOSING DATE

The management of the company is not aware of any significant events after the closing date.

Parent company financial statements, FAS

PARENT COMPANY INCOME STATEMENT

(EUR 1,000)	Note	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
NET SALES	1.	**118,708**	**104,896**
Change in inventories of finished goods and work in progress		117	1,207
Other operating income	2.	604	7,105
Materials and services	3.	-45,041	-41,926
Personnel expenses	4.	-19,577	-19,482
Depreciation and impairments	5.	-1,481	-1,763
Other operating expenses	6.	-35,134	-31,482
OPERATING PROFIT		**18,196**	**18,555**
Financial income and expenses	7.	113	103
RESULT BEFORE APPROPRIATIONS AND TAXES		**18,309**	**18,658**
Appropriations	8.	51	300
Income taxes	9.	-3,529	-3,833
NET RESULT FOR THE PERIOD		**14,831**	**15,125**

PARENT COMPANY BALANCE SHEET

(EUR 1,000)	Note		31 Dec. 2019		31 Dec. 2018
ASSETS					
FIXED ASSETS	10.				
Intangible assets	10.1		2,139		1,621
Tangible assets	10.2		2,557		2,040
Investments	10.3				
Participations in Group companies		1,906		1,706	
Other shares and participations		16	1,922	16	1,722
FIXED ASSETS, TOTAL			**6,618**		**5,383**
CURRENT ASSETS					
Inventories	11.		19,633		20,244
Current receivables	12.		16,142		16,772
Cash on hand and at banks			23,511		19,661
CURRENT ASSETS, TOTAL			**59,286**		**56,677**
ASSETS, TOTAL			**65,904**		**62,060**

(EUR 1,000)	Note	31 Dec. 2019	31 Dec. 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	13.		
Share capital		8,040	8,040
Reserve for invested non-restricted equity		1,228	502
Treasury shares		-315	-315
Retained earnings		14,769	14,648
Net result for the period		14,831	15,125
SHAREHOLDERS' EQUITY, TOTAL		**38,553**	**38,000**
ACCUMULATED APPROPRIATIONS	14.	1,021	1,072
LIABILITIES	15.		
Current liabilities		26,329	22,987
LIABILITIES, TOTAL		**26,329**	**22,987**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**65,904**	**62,060**

PARENT COMPANY CASH FLOW STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2019	1 Jan.–31 Dec. 2018
CASH FLOW FROM OPERATIONS		
Net result for the period	14,831	15,125
Adjustments		
Depreciation and impairments	1,481	1,763
Capital gains on fixed assets	-	-6,095
Change in depreciation difference	-51	-300
Financial income and expenses	-113	-103
Taxes	3,529	3,833
Cash flow before change in working capital	19,677	14,224
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-351	-1,179
Increase (-) / decrease (+) in inventories	611	-1,576
Increase (+) / decrease (-) in current non-interest-bearing liabilities	1,221	2,195
Cash flow from operations before financial items and taxes	21,157	13,664
Paid interest and payments on other financial expenses	-495	-138
Interest received and payments on other financial income	529	191
Taxes paid	-2 385	-3 189
CASH FLOW FROM OPERATIONS	**18,807**	**10,528**
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-1,478	-552
Purchase of subsidiary shares	-200	-400
Sale of subsidiary shares	-	10,508
Change in loan receivables	993	-
Sale of other investments	-	11
CASH FLOW FROM INVESTMENTS	**-685**	**9,567**
CASH FLOW FROM FINANCING		
Personnel share issue	726	-
Acquisition of treasury shares	-	-315
Dividends paid	-15,003	-4,045
CASH FLOW FROM FINANCING	**-14,277**	**-4,360**
Change in cash and cash equivalents	3,845	15,735
Cash and cash equivalents at the beginning of the period	19,661	3,926
Cash and cash equivalents at the end of the period	23,505	19,661

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICY

Marimekko Corporation's financial statements have been prepared in accordance with the legislation and regulations that are in force in Finland. The financial year of the company is the calendar year.

Measurement of fixed assets
Fixed assets are recorded in the balance sheet at the original acquisition cost less depreciation according to plan. Depreciation according to plan has been calculated using straight-line depreciation on the estimated useful life of the fixed assets.

Periods of depreciation:

- intangible rights 5–10 years
- other capitalised expenditure 3–15 years
- buildings 30 years
- machinery and equipment 5–15 years.

Inventories
Inventories are presented at the acquisition cost or at the lower probable net realisation value. The value of inventories does not include any share of fixed purchasing and manufacturing costs.

Pension commitments
The pension security of the company's personnel has been arranged under the statutory employee pension plan (TyEL) through a pension insurance company.

Items denominated in foreign currency
The foreign-currency-denominated receivables and liabilities of the company have been converted to euro amounts using the exchange rate quoted by the European Central Bank on the closing date.

Revenue recognition
Revenue is recognised when the buyer obtains control of the product – that is when the significant risks and rewards of ownership have been transferred to the buyer. In wholesale, this is mainly the moment when the goods are handed over to the customer as set forth in the agreed delivery clause. In wholesale and export trade, the terms of delivery determine the point of time when the customer obtains control of the goods. In retail where cash or a credit card is used as means of payment, the income is recognised at the time of sale.

More information on revenue recognition can be found in the notes to the consolidated financial statements.

Leasing
Leasing payments are treated as rental expenditures.

Appropriations
Appropriations consist of depreciation differences due to differences between accounting and tax depreciation of tangible and intangible assets.

Taxes
Income taxes include income taxes calculated on the profit for the financial year and taxes paid or refunded in previous financial years. Deferred taxes are not recognised in the parent company's income statement and balance sheet.

Branches
Branches have been consolidated into Marimekko Corporation's accounts and intercompany items have been eliminated.

NOTES TO THE INCOME STATEMENT

1. NET SALES BY MARKET AREA

(EUR 1,000)	2019	2018
Finland	71,118	63,537
Other countries	47,590	41,359
Total	118,708	104,896

2. OTHER OPERATING INCOME

(EUR 1,000)	2019	2018
Rental income	140	233
Capital gain on the sale of subsidiary shares	-	6,704
Other income	463	167
Total	604	7,105

3. MATERIALS AND SERVICES

(EUR 1,000)	2019	2018
Materials and supplies		
Purchases during the financial year	27,657	27,512
Increase (-) / decrease (+) in inventories	728	-40
Total	28,386	27,472
External services	16,656	14,453
Total	45,041	41,926

4. PERSONNEL EXPENSES

(EUR 1,000)	2019	2018
Salaries, wages and bonuses	16,379	16,086
Pension and pension insurance payments	2,748	2,830
Other indirect social expenditure	451	565
Total	19,577	19,482
Salaries and bonuses for management		
Members of the Board of Directors and the President and CEO	800	796
Itemised in note 19 to the consolidated financial statements		
Average number of employees		
Salaried employees	321	305
Production personnel	23	25
Total	344	330

5. DEPRECIATION AND IMPAIRMENTS

(EUR 1,000)	2019	2018
Intangible assets		
Intangible rights	57	94
Computer softwares	468	603
Other capitalised expenditure	409	490
Total	934	1,187
Tangible assets		
Buildings and structures	12	12
Machinery and equipment	535	565
Total	547	576
Total	1,481	1,763

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2019	2018
Leases	7,663	7,582
Marketing	12,732	10,532
Other expenses	14,739	13,369
Total	35,134	31,482

Auditor's fee

(EUR 1,000)	2019	2018
KPMG		
Audit	60	60
Other services	38	11
Total	98	71

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2019	2018
Other interest and financial income		
From Group companies	136	141
From others	21	27
Total	157	168
Interest and other financial expenses		
To other than Group companies	44	66
Total	44	66
Financial income and expenses, total	113	103
Financial income and expenses include exchange rate differences (net)		
From other than Group companies	-85	-23

8. APPROPRIATIONS

(EUR 1,000)	2019	2018
Change in depreciation difference	51	300

9. INCOME TAXES

(EUR 1,000)	2019	2018
Income taxes on operations	3,529	3,833

NOTES TO THE BALANCE SHEET

10. FIXED ASSETS

10.1 Intangible assets

2019

(EUR 1,000)	Intangible rights	Computer software	Other capitalised expenditure	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2019	1,727	6,231	7,045	83	15,086
Increases	6	148	18	1,281	1,453
Transfers between categories		146	124	-269	
Classification adjustment		531	-531		
Acquisition cost, 31 Dec. 2019	1,733	7,055	6,656	1,094	16,539
Accumulated depreciation, 1 Jan. 2019	1,615	6,092	5,758		13,465
Depreciation during the financial year	57	468	409		934
Accumulated depreciation, 31 Dec. 2019	1,672	6,560	6,167		14,399
Book value, 31 Dec. 2019	61	496	488	1,094	2,139

2018

(EUR 1,000)	Intangible rights	Computer software	Other capitalised expenditure	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2018	1,719	5,989	7,026		14,734
Increases	8	221	19	104	352
Transfers between categories		21		-21	
Acquisition cost, 31 Dec. 2018	1,727	6,231	7,045	83	15,086
Accumulated depreciation, 1 Jan. 2018	1,521	5,489	5,268		12,278
Depreciation during the financial year	94	603	490		1,187
Accumulated depreciation, 31 Dec. 2018	1,615	6,092	5,758		13,465
Book value, 31 Dec. 2018	112	139	1,287	83	1,621

10.2 Tangible assets

2019

(EUR 1,000)	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2019	38	417	14,468	28		14,952
Increases			110		953	1,063
Transfers between categories			944		-944	
Acquisition cost, 31 Dec. 2019	38	417	15,522	28	9	16,015
Accumulated depreciation, 1 Jan. 2019		319	12,592			12,911
Depreciation during the financial year		12	535			547
Accumulated depreciation, 31 Dec. 2019		331	13,127			13,458
Book value, 31 Dec. 2019	38	86	2,395	28	9	2,557

2018

(EUR 1,000)	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2018	38	417	14,249	28		14,733
Increases			219			219
Acquisition cost, 31 Dec. 2018	38	417	14,468	28		14,952
Accumulated depreciation, 1 Jan. 2018		307	12,027			12,334
Depreciation during the financial year		12	565			577
Accumulated depreciation, 31 Dec. 2018		319	12,592			12,911
Book value, 31 Dec. 2018	38	98	1,876	28		2,040

10.3 Investments

2019

(EUR 1,000)	Shares in Group companies	Other shares and participations	Total
Acquisition cost, 1 Jan. 2019	1,996	16	2,012
Increases	200		200
Acquisition cost, 31 Dec. 2019	2,196	16	2,212
Accumulated depreciation, 31 Dec. 2019	290		290
Book value, 31 Dec. 2019	1,906	16	1,922

2018

(EUR 1,000)	Shares in Group companies	Other shares and participations	Total
Acquisition cost, 1 Jan. 2018	3,921	16	3,937
Increases	400		400
Decreases	2,325		2,325
Acquisition cost, 31 Dec. 2018	1,996	16	2,012
Accumulated depreciation, 31 Dec. 2018	290		290
Book value, 31 Dec. 2018	1,706	16	1,722

11. INVENTORIES

(EUR 1,000)	2019	2018
Raw materials and consumables	4,323	4,607
Finished products/goods	15,310	14,923
Advance payments	-	714
Total	19,633	20,244

12. CURRENT RECEIVABLES

(EUR 1,000)	2019	2018
Trade receivables	5,206	4,379
Receivables from Group companies		
Trade receivables	4,597	4,955
Loan receivables	5,498	6,638
Prepaid expenses and accrued income	20	17
Total	10,114	11,610
Other receivables	37	51
Prepaid expenses and accrued income	784	732
Total	16,142	16,772

Prepaid expenses and accrued income		
Royalty receivables	227	187
Other prepaid expenses and accrued income	557	545
Total	784	732

13. SHAREHOLDERS' EQUITY

(EUR 1,000)	2019	2018
Share capital, 1 Jan.	8,040	8,040
Share capital, 31 Dec.	8,040	8,040
Reserve for invested non-restricted equity, 1 Jan.	502	502
Personnel share issue	726	-
Reserve for invested non-restricted equity, 31 Dec.	1,228	502
Treasury shares, 1 Jan.	-315	-
Acquisition of treasury shares	-	-315
Treasury shares, 31 Dec.	-315	-315
Retained earnings, 1 Jan.	29,773	18,692
Dividends paid	-15,003	-4,045
Retained earnings, 31 Dec.	14,769	14,648
Net result for the period	14,831	15,125
Shareholders' equity, total	38,553	38,000

Calculation of distributable funds, 31 Dec.

(EUR 1,000)	2019	2018
Retained earnings	14,769	14,648
Net result for the period	14,831	15,125
Treasury shares	-315	-315
Reserve for invested non-restricted equity	1,228	502
Total	30,513	29,960

14. ACCUMULATED APPROPRIATIONS

(EUR 1,000)	2019	2018
Accumulated depreciation difference		
Intangible rights	19	33
Other capitalised expenditure	444	581
Machinery and equipment	419	318
Buildings and structures	140	140
Total	1,021	1,072

15. LIABILITIES

Current liabilities

(EUR 1,000)	2019	2018
Advances received	1,006	765
Trade payables	7,405	5,607
Debts to Group companies		
Trade payables	441	2,209
Accrued liabilities and deferred income	7,339	5,931
Other current liabilities	1,948	2,300
Accrued liabilities and deferred income	8,189	6,175
Total	26,329	22,987

Accrued liabilities and deferred income		
Wages and salaries with social security contributions	3,310	3,196
Accrued income tax liabilities	2,335	1,190
Other accrued liabilities and deferred income	2,545	1,789
Total	8,189	6,175

16. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(EUR 1,000)	2019	2018
Leasing liabilities		
Payments due in the following financial year	447	426
Payments due later	429	402
Total	876	828

Liabilities related to lease agreements		
Payments due in the following financial year	6,393	7,030
Payments due later	29,593	30,379
Total	35,986	37,410

Guarantees on behalf of subsidiaries	4,855	11,453
Indirect liability for rent and other guarantees	2,193	1,757

Signatures to the financial statements and the report of the Board of Directors

Helsinki, 12 February 2020

Mika Ihamuotila
Chairman of the Board

Elina Björklund
Vice Chairman of the Board

Rebekka Bay
Member of the Board

Arthur Engel
Member of the Board

Mikko-Heikki Inkeroinen
Member of the Board

Helle Priess
Member of the Board

Catharina Stackelberg-Hammarén
Member of the Board

Tiina Alahuhta-Kasko
President and CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, 12 February 2020

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF MARIMEKKO CORPORATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Marimekko Corporation (business identity code 0111316-2) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit and Remuneration Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition ("Revenue recognition and net sales" in the consolidated accounting principles and note 1)	
Marimekko Group's revenue is generated from wholesale and retail sales of clothes, bags and accessories, and interior decoration products as well as licensing income. Group's net sales, EUR 125.4 million, is a significant item in the financial statements consisting of a large number of transactions from different revenue streams as well as diverse sales contracts and terms with customers. Wholesale contracts include several different delivery terms, which determine when the ownership of the product is transferred to the customer. Retail sales mainly consists of small transactions paid by cash or payment cards and the revenue is recognised when the product is sold to the customer. Revenue from licensing is recognised in accordance with the terms of the contract. Revenue recognition is a key audit matter due to a large number of transactions as well as for a risk that revenue is recognised in an incorrect period.	In our audit of different revenue streams, we have tested company's key controls related to sales and performed substantive audit procedures, among others with data-analytics methods. • We have formed an understanding of accounting principles and practises in different revenue streams and evaluated the appropriateness of the revenue recognition principles in relation to IFRS. • We have tested revenue, discounts, campaign discounts and margins in both wholesale and retail sales with data-analytics methods. • For wholesale we have selected a sample of sales transactions comparing them to sales invoices, contracts, delivery notes and payments received. • For retail sales we have reviewed sales processes and reconciliation routines for cash and payment card transactions in selected retail stores. • We have checked that the revenue has been recognised in the right financial period by comparing sales transactions, invoices and delivery terms to actual deliveries as well as by checking credit invoices made in 2020. • We have also compared selected accounts receivables to the confirmations received from counterparties. • We have reviewed the most significant licensing contracts and that the revenue has been recognised in accordance with the contract terms.

Valuation and existence of inventory ("Inventories" in the consolidated accounting principles and note 12.1)

Marimekko purchases, manufactures and sells consumer goods and is subject to changing consumer demands. Inventory consists of fabrics and other raw materials as well as half-finished and finished goods including clothes, bags, accessories and interior decoration products.

Inventories are valued at the lower of acquisition cost or probable net realisable value. Manufactured inventories include directly attributable fixed and variable overhead costs.

Inventory value EUR 22.6 million is a significant item in Marimekko's balance sheet and inventories are in several locations. Inventory accounting includes manual processes in valuation and compiling the inventory balances and it increases, therefore the risk for human errors. In addition, inventory may include management's judgement on probable net realisable value.

In our audit of valuation and existence of inventories we have tested the company's key controls and performed substantive audit procedures, among others with data-analytics methods.

- We have attended physical stock takings in selected inventory locations. We have analysed company's own results of inventory differences and how they have been resolved.
- We have compared the value of selected inventory items to the latest purchase invoices.
- We have tested slow-moving inventory items as well as exceptional values in inventory accounting with data analytics methods.
- We have compared the unit prices of selected inventory items to their sales prices

Implementation and adoption of IFRS 16 Leases standard ("IFRS 16 Leases" and "New standards and interpretations" in the consolidated accounting principles and notes 5, 6, 8, 11.2, 14 and 15)

Marimekko is a lessee in headquarter and printing facilities in Helsinki as well as retail stores in Finland and in other countries where Marimekko operates.

Marimekko has adopted IFRS 16 Leases standard as at 1 January 2019 and applied modified retrospective transition approach for leases existing as at 1 January 2019, and the comparative 2018 financial information has not been restated.

At the year-end 2019 the non-current and current liabilities in the consolidated balance sheet include lease liabilities totalling EUR 36.2 million and the non-current assets include EUR 35.8 million right-of-use assets.

The determination of the key assumptions related to lease liabilities and right-of-use assets requires management's judgment among others on the duration of the lease periods and the discount rate.

Regarding implementation and adoption of IFRS 16 Leases standard we have:

- evaluated the principles and calculations in determining the lease liabilities and right-of-use assets,
- assessed the assumptions applied in the calculations regarding lease periods, discount rates and depreciation periods for right-of-use assets,
- compared on a sample basis the terms of certain significant lease agreements to the parameters used in the calculations, and
- assessed the appropriateness and the adequacy of the disclosures for leasing arrangements.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12 April 2018.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 12 February 2020

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

Statement of non-financial information 2019

MARIMEKKO'S BUSINESS MODEL AND APPROACH TO SUSTAINABILITY

Marimekko is a Finnish lifestyle design company renowned for its original prints and colours. The company designs, produces, sources, markets and sells clothing, bags and accessories, as well as home décor items ranging from textiles to tableware. Marimekko's business model is based on a variety of distribution channels: company-owned Marimekko stores, outlet stores and e-commerce (retail), partner-owned Marimekko stores, shop-in-shops and e-commerce, wholesale customers such as department stores and multi-brand stores as well as e-tailers (wholesale), and licensing. The company's key markets are Northern Europe, North America, and the Asia-Pacific region. The design, product development, merchandising, marketing, omnichannel sales, and supply chain related activities are led globally from the headquarters in Helsinki. A large part of Marimekko's printed fabrics, used across its product lines, are produced in Helsinki in the company's own textile printing factory, which also acts as an innovation hub for Marimekko's key differentiator, its art of print making. Furthermore, good and competent suppliers play a major role in Marimekko's competitiveness and the company strives to build long-term partnerships with its suppliers.

Marimekko's core values and Code of Conduct guide the daily work. The requirements for suppliers are included in the Supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct. In addition, more specific policies and guidelines exist for each of the areas covered by this statement.

Sustainability is one of the most transformative megatrends impacting the fashion and textile industry and an increasingly important consideration in the choices of Marimekko's customers. Marimekko believes that the successful execution of its sustainability strategy strongly supports the company's long-term success. Marimekko's operations and design philosophy have always been based on a sustainable approach: Marimekko wants to offer its customers timeless, functional and durable products that bring them long-lasting joy and that they will not want to throw away. Possibilities to improve the sustainability of operations have been identified both in Marimekko's own operations (design, material choices and material, energy and water efficiency in own textile printing factory) and in the company's value chain. In addition, Marimekko engages with various industry networks (Better Cotton Initiative, amfori BSCI, Responsible Sourcing Network, local industry associations, among others), as collaboration between different actors is believed to be the most effective way to promote sustainable practices in the industry.

Material themes for Marimekko, as defined in the sustainability strategy 2016–2020, are designing timeless, long-lasting and functional products; inspiring and engaging customers and staff; promoting responsible practices throughout the supply chain; being resource efficient and caring for the environment; and offering an inspiring and responsible workplace. Marimekko's sustainability actions cover the product life cycle from materials to end use. The company's new sustainability strategy 2020–2025 with related key targets will be launched in 2020. The focus areas for sustainability have been determined based on Marimekko's brand and company vision and values paired with analyses looking at megatrends affecting the fashion and textile industry, consumer trends and insight, benchmarking of industry practices, stakeholder dialogue and input from employees.

Marimekko has defined a governance model for developing and managing non-financial matters:

- The Board of Directors approves the sustainability strategy, including related key targets, as well as annual sustainability reviews.
- The Management Group sets targets and follows the progress on a bi-annual basis. Risks related to non-financial matters are addressed as part of the consolidated risk management and presented as part of the report of the Board of Directors.
- Each business unit and function is responsible for the actions relating to their own areas in order to reach the shared targets.
- Sustainability work is supported and coordinated by the Sustainability Manager.

Sustainable and timeless design

Marimekko's design philosophy is based on timeless and durable products, known for being passed on from one generation to the next. A long-lasting product is a key component in improving sustainability in the fashion industry, as, for example, wearing items twice as long can reduce the industry's emissions by up to 44 percent.[1]

The work that Marimekko does to extend the life cycle of its products is multifold. The company strives to offer designs and materials that stand up to time and use, and sustainability considerations are part of the design and product development, relating for example to the material choices used and how print designs are placed to minimise any leftover fabric.

Marimekko is committed to increasing the share of sustainable cotton and other more sustainable materials in its products. For sourcing sustainable cotton, Marimekko has chosen to use mainly Better Cotton. Marimekko is a member of the Better Cotton Initiative (BCI). The goal of the BCI is to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. At the end of 2019, the share of Better Cotton was 88 percent of all cotton sourced by Marimekko.

Marimekko's own printing factory offers unique possibilities for testing new, more sustainable fabrics and dyestuffs in the printing process and Marimekko actively participates in projects to develop new materials. In 2019, printing tests were continued at the Marimekko printing factory on a new wood-based fabric made from the Ioncell™ fibre developed by Aalto University and the University of Helsinki in Finland. In addition, Marimekko has ongoing cooperation with the Finnish fibre technology company Spinnova to further the market entry of wood-based textiles enabled by Spinnova's technology. During the year, Marimekko also provided facilities for testing a new, plant-based indigo dye. Furthermore, Marimekko has begun drafting a new material strategy which will provide the foundation for the material choices and development projects going forward.

Marimekko also aims to reduce the use of plastic in its operations and had a study done on the subject during 2019, based on which the company will define the next steps.

To ensure that Marimekko products are durable and of high quality, the company has processes in place in its own printing factory and regularly checks the quality of the products manufactured by partner suppliers both through in-house tests and through third-party production checks.

By providing information on its products, their proper care, and ways to prolong product life, Marimekko can inspire and engage its customers to contribute to maximising product life cycles. In 2019, Marimekko launched Q&A sessions in social media, entitled Behind the Patterns, to increase dialogue with end users. In addition, the company promotes the reuse of its products for example through a continued collaboration in Finland with Vestis, a retailer of second-hand clothing and accessories.

[1] Ellen MacArthur Foundation, A new textiles economy: Redesigning fashion's future (2017, http://www.ellenmacarthurfoundation.org/publications).

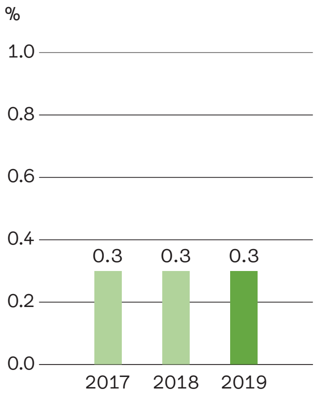
Sustainable and timeless design

KEY TARGETS BY 2020

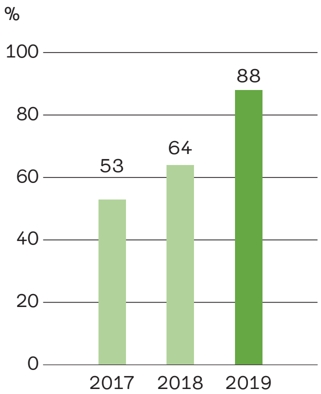
- Offering durable, high-quality and functional products
- Increasing the share of sustainable cotton in products
- Increasing the share of other more sustainable raw materials used in products and packaging
- Contributing to the circular economy with related projects and services
- Offering more information about products, their proper care, and ways to prolong product life

KEY PERFORMANCE INDICATORS

Share of products subject to claims, target not more than 0.5% of products sold



Share of Better Cotton of total cotton sourcing, target to increase the share



Projects related to developing new, more sustainable raw materials

- Ioncell™-project
- Cooperation with Spinnova
- Study made on plastic use within Marimekko and recommendations to further reduce plastic use

Projects supporting the circular economy

- Collection events for pre-owned garments and accessories in Finland with Vestis

Actions to increase the amount of product-related information shared with or available to customers

- More information about e.g. material origins included in the information packages used by store staff
- Care instructions to customers in the context of launching the new Forever Yours bag series
- Q&A session series "Behind the Patterns" in social media since April 2019

Sustainable supply chain

Marimekko's wide range of products are manufactured by a global network of around 75 suppliers and 100 factories. The company's objective is to always find the best manufacturing place for each product category. Almost 70 percent of the products are made in Europe and one third in Asia. Supply chains in the textile industry are complex and involve many players – thus, enhancing sustainability in the supply chain from raw materials to the stores demands patient work. At Marimekko, sustainability topics addressed in the supply chain cover social, environmental and governance issues.

Marimekko has strong values, of which one – "fairness to everyone and everything" – crystallises the company's sustainability thinking and extends to its personnel, customers and partners around the world. Marimekko is committed to respecting human rights in all its operations. The company's approach to human rights is based on the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Marimekko's sourcing is guided by principles of responsible sourcing and its Supplier Code of Conduct, which all partner suppliers must sign. The Supplier Code of Conduct details, among others, the respect for human rights, including strict principles against child labour and forced labour, and for the right for the workers to organise and the right to equal treatment. The company is a member of the European amfori BSCI initiative, which promotes the monitoring and improvement of working conditions in global supply chains. Purchasing agreements signed with suppliers bind the supplier to comply with the International Labour Organisation Conventions and the amfori BSCI Code of Conduct.

Marimekko's due diligence process for human rights consists of careful supplier selection and assessment, contractual obligations, questionnaires to suppliers (for example regarding the origin of materials used), independent third-party audits conducted mainly in factories located outside Europe (in countries considered higher risk), monitoring through factory visits by Marimekko employees, follow-up of corrective actions, training for Marimekko's sourcing department, external assessments and studying external reports, as well as collaboration in industry organisations. Marimekko has also excluded sourcing from certain very high-risk countries, particularly Uzbekistan and Turkmenistan for cotton. The due diligence process is developed continuously.

During 2019, 13 amfori BSCI audits were conducted at Marimekko's partner suppliers' facilities. None of the audits carried out during the year identified any zero-tolerance findings, such as indications of child labour or forced labour, or imminent and significant risks to workers' health. Most of the findings in the audits concerned health and safety (43 percent), management systems (17 percent), and worker involvement and protection (10 percent). Corrective action plans were put in place where necessary, and the actions were monitored during factory visits. Based on the third-party human rights impact assessment (HRIA) conducted in 2018, a road map was prepared for how to continue the assessment in Marimekko's own operations and in the upstream and downstream value chain. Training on how to assess safety matters during factory visits was arranged for Marimekko's sourcing teams and an updated factory checklist was prepared to be taken into use in 2020. The questionnaires sent to suppliers about the origin of materials were developed based on the HRIA recommendations.

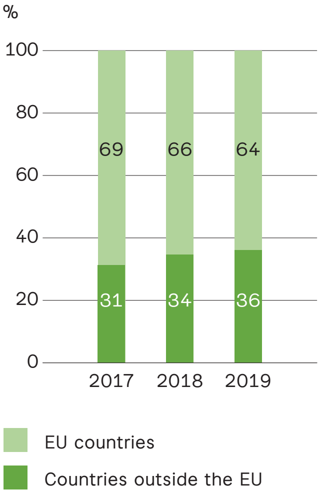
Sustainable supply chain

KEY TARGETS BY 2020

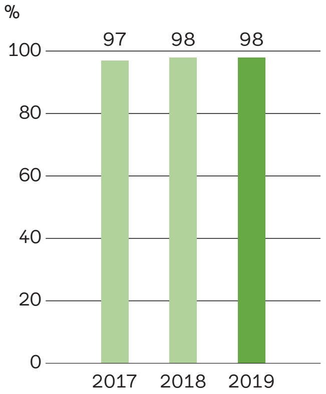
- Building transparency towards raw materials
- Selecting suppliers carefully, taking human rights and environmental protection into account
- Promoting human rights, a living wage, worker empowerment and safe working conditions in the supply chain through dialogue, audits and training

KEY PERFORMANCE INDICATORS

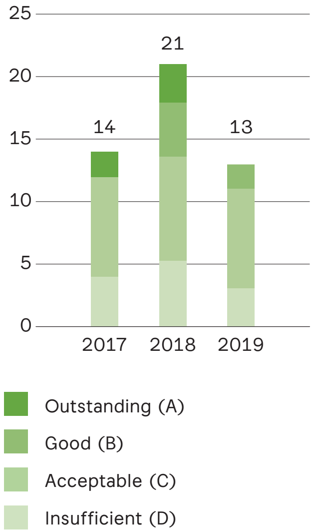
Share of manufacturing in the EU/ outside the EU



Share of purchases from audited suppliers in non-EU countries



Number of audits and audit results[2]



Actions to enhance transparency

- Public supplier list since 2015
- Upstream supply chain (incl. fabric suppliers) mapped and recorded in internal systems
- Questionnaires about raw material origin
- Participation in Fashion Revolution campaign
- Q&A session series "Behind the Patterns" in social media since April 2019

[2] The number of audits varies year by year, based on frequency of audits (the audit cycle is 1 or 2 years depending on the result) and changes in the supplier base (for example, a new factory may have another audit than amfori BSCI).

Resource efficiency and the environment

Marimekko's goal is to constantly reduce the environmental impacts of its operations. The main environmental impacts of the company's own operations are related to the in-house textile printing factory in Helsinki. In addition, environmental impacts occur in the upstream and downstream value chain, for example during the production of materials, during logistics as well as when the products are used.

In the Marimekko printing factory, the goal is to continuously reduce the environmental impacts by improving material, water and energy efficiency and minimise waste in own operations. The factory has its own environmental and chemicals management processes and 86 percent of the fabrics printed at the factory are certified according to the STANDARD 100 by OEKO-TEX®. The certificate guarantees that the materials contain no substances harmful to people or the environment, as detailed in the standard criteria.

For its suppliers, Marimekko has environmental requirements set in the Supplier Code of Conduct and in product policies related to responsible material sourcing. The company's sourcing teams regularly gather and assess information about environmental impacts in the supply chain. Marimekko also has chemical management principles in place, detailed in contracts and the company's Restricted Substances List and monitored by random testing based on risk assessment.

In 2019, Marimekko updated its Restricted Substances List for suppliers and launched a new, more systematic testing process to monitor compliance. The company also successfully completed the work to phase out PFC compounds and PVC plastic in its products – since July 2019, all new products have been free from PFCs and PVC.

During the year, Marimekko also conducted studies to calculate the CO2 footprint of the printing factory, headquarter operations as well as inbound and outbound logistics. Marimekko will use the data collected to determine future emission reduction goals and action plans for in-house operations and the supply chain. Marimekko estimates to complete the setting of new goals in 2020.

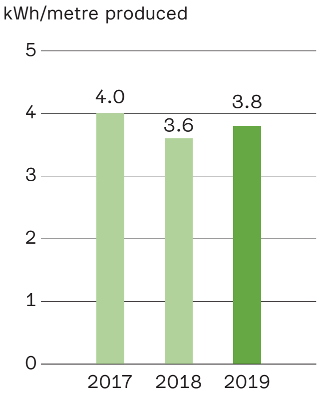
Resource efficiency and the environment

KEY TARGETS BY 2020

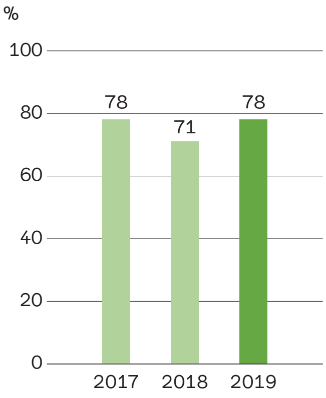
- Continuously reducing the carbon footprint of operations
- Continuously improving material, energy and water efficiency of in-house operations
- No landfill waste generated by in-house operations
- Looking for environmentally friendlier alternatives to chemicals (greener chemistry in the in-house printing factory, phase-out of PFCs and PVC)

KEY PERFORMANCE INDICATORS

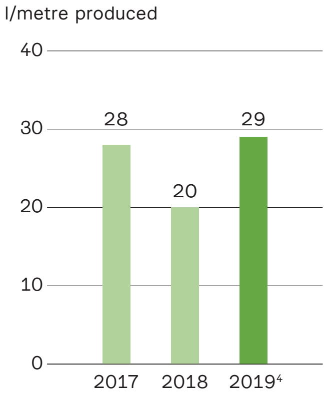
Biogas consumption



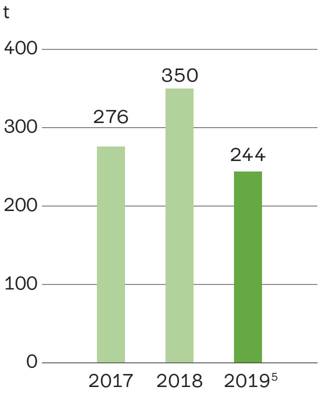
Share of renewable energy of the energy produced and purchased[3]



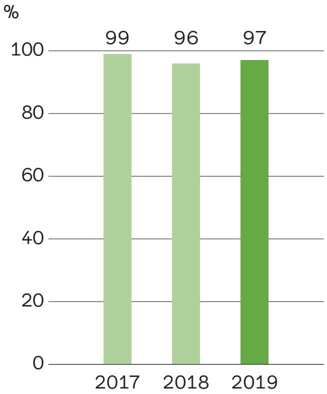
Water consumption,
target to reduce by 20% from the 2010 baseline which was 31 l/m



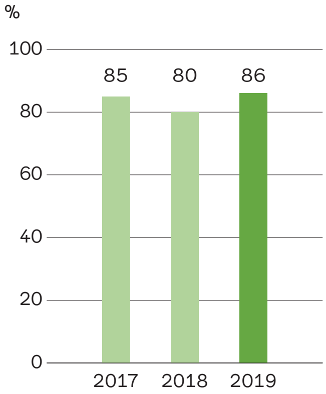
Carbon dioxide emissions[3]
(scope 1 and 2),
target to reduce by 50% from the 2010 baseline which was 1,399 tonnes



Percentage of waste generated being reused in energy production or as recycled material,
target 100%



Share of materials certified according to the STANDARD 100 by OEKO-TEX® in the in-house printing factory



[3] Covers the fabric printing factory and head office operations in Helsinki and for electricity consumption also the facilities in Kitee and Sulkava.
[4] The water consumption increased due to a second wash introduced for some fabrics to enhance colour fastness.
[5] The figure for 2019 has been calculated using the 2018 emission factor.

An inspiring and responsible workplace

Marimekko's success rests on strong staff commitment and the ability to utilise every individual's skills and creativity in daily work. The company believes in fairness, courage and cooperation, and fosters an open, non-hierarchical corporate culture that is based on creativity and entrepreneurship. The Marimekko spirit, incorporating the company's values, forms the backbone of how people work together at Marimekko. The UN's Universal Declaration of Human Rights and Marimekko's Code of Conduct provide the principles for managing the social issues of the company's own operations.

Marimekko's culture and working environment are founded on equality and cherishing diversity. No discrimination is tolerated at Marimekko. The company wants to provide a safe, caring, communal and respectful working environment for each Marimekko employee. Any issues relating to inappropriate behaviour are investigated according to a set process. The company promotes equality based on an equality plan, provides training for its managers, and measures success with its employee engagement survey.

At Marimekko, personnel well-being is supported by promoting employees' health and working and functional capacity, and by ensuring an empowering working atmosphere. This work is underpinned by close cooperation between occupational healthcare, human resources, managers and the workplace safety organisation as well as an early intervention model. By identifying reasons for absences due to illness, the company strives to prevent them. The objective is to improve the working conditions and prevent prolonged absenteeism and early disability retirements. To ensure a safe working environment, hazards and near misses are recognised and avoided through hazard assessments at various sites and a hazard notification system. Reported near misses and occupational accidents are monitored regularly in Finland.

Marimekko supports its employees' personal and professional development. The Group-wide MariPeople performance management model, including goals related to both work performance and behaviour, is the backbone of individual performance at Marimekko. Through the annual MariPeople process, employees learn what is expected of them, and they frequently discuss their work and the needed competencies to grow with their line manager as well as get feedback. A well-implemented MariPeople process drives employee well-being and engagement by linking the work of each Marimekko employee to the company's strategy. The MariMeter employee engagement survey is conducted every one or two years and it measures employee engagement and well-being as well as the progress made in performance management. In addition, the company uses leadership surveys to monitor and develop the quality of leadership at Marimekko.

During 2019, Marimekko continued to further develop leadership and management skills across the organisation as good leadership strengthens employees' well-being, commitment and performance. To support the growth of the line managers, Marimekko arranged several training sessions and workshops. The MariPeople performance management process was further developed. Occupational health and safety is another main development focus area, and new tools and processes were taken into use in Finland.

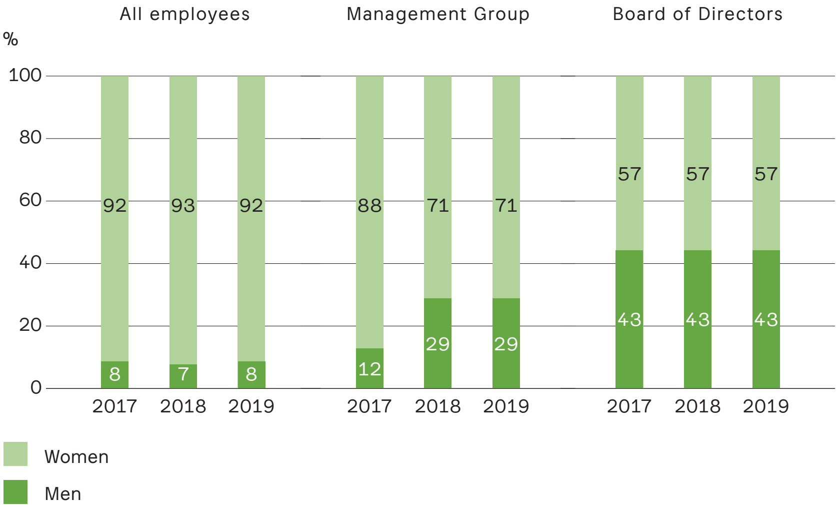
An inspiring and responsible workplace

KEY TARGETS BY 2020

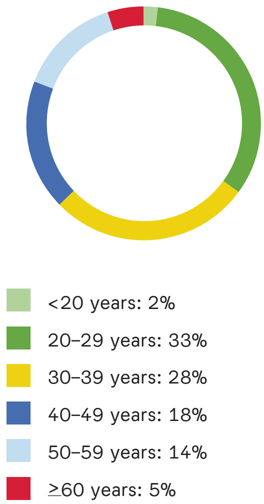
- Supporting the personal and professional growth of employees by training and building competence
- Fostering the Marimekko spirit

KEY PERFORMANCE INDICATORS

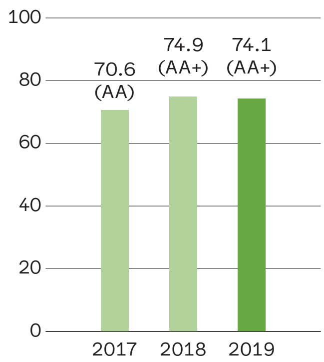
Diversity at Marimekko



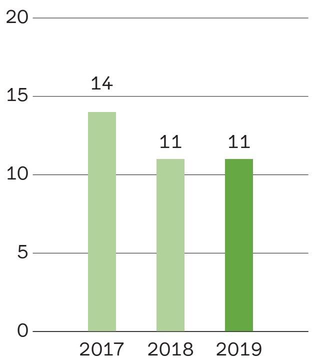
Employee age distribution



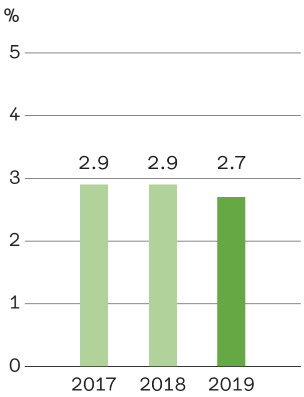
Employee engagement score



Number of accidents[6]



Sick leave absences[6]



[6] Covers employees in Finland.

Ethical business behaviour

Marimekko wants to work according to the same principles around the world, complying with local laws and the Marimekko values and following responsible and ethical business practices. The key principles for ethical business practices are included in the Marimekko Code of Conduct and the Supplier Code of Conduct and more specific instructions are given in the Antitrust Guidelines, Insider Policy and in instructions in regard of privacy. Anti-corruption and anti-bribery matters are addressed in contracts with partners such as suppliers and distributors.

Marimekko has an anonymous whistle-blowing channel for its employees, which is maintained by an independent third-party service provider. Audits at partner suppliers also cover ethical business behaviour, in accordance with the amfori BSCI Code of Conduct.

Marimekko has a Code of Conduct e-training, which all employees are required to complete. Marimekko renewed its on-boarding practices at the end of 2019. In 2020, the Code of Conduct and other policies will be a closer knit and more systematic part of on-boarding for new employees. In 2019, training about the Antitrust Guidelines and Insider Policy was given in several face-to-face sessions with managers and key employees. In order to facilitate participation in training, in particular when there are changes in personnel having access to unpublished financial information, Marimekko will begin e-trainings also for insider and antitrust matters in spring 2020.

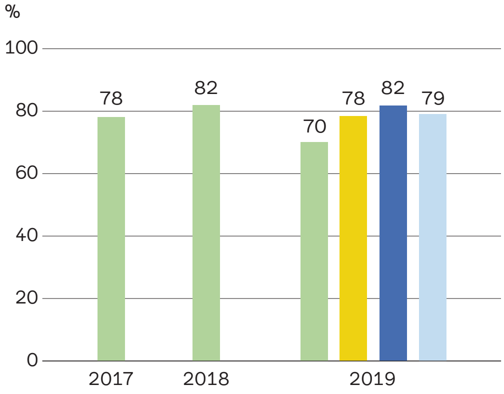
Ethical business behaviour

KEY TARGETS BY 2020

- Committing to responsible and ethical business practices

KEY PERFORMANCE INDICATORS

Share of employees who have participated in the trainings on responsible and ethical business practices



- Share of all employees who have participated in the e-training on Code of Conduct
- Share of managers and employees having regular access to unpublished financial information who have participated in the training on insider matters:
- Share of employees working in wholesale and other selected groups who have participated in the training on antitrust matters
- Share of EU-based employees and employees based outside of EU having access to EU personal data who have participated in the e-training on GDPR

ABOUT THE STATEMENT

This statement has been prepared in accordance with the Finnish Accounting Act, Chapter 3 a, and the EU Directive 2014/95/EU. The statement covers the financial year from 1 January to 31 December 2019 and the whole Marimekko Group, except where otherwise mentioned. In addition, Marimekko prepares annually a more detailed Sustainability Review, published on the company website during the second quarter of the year.

Helsinki, 12 February 2020

MARIMEKKO CORPORATION

Board of Directors President and CEO

Corporate governance

APPLICABLE PROVISIONS

Marimekko Corporation is a Finnish public limited company, which applies the Finnish Companies Act, other regulations concerning public listed companies, Marimekko Corporation's Articles of Association and Nasdaq Helsinki Ltd's rules and regulations in its decision-making and administration. In addition, Marimekko Corporation complies with the Finnish Corporate Governance Code for listed companies, effective as of 1 January 2020, according to the comply-or-explain principle without deviating from individual recommendations.

Group structure

The Marimekko Group comprises Marimekko Corporation and its subsidiaries. The company's registered office is in Helsinki, Finland.

GENERAL MEETING

Shareholders exercise the highest decision-making authority in Marimekko Corporation through the General Meeting. General Meetings are either Annual General Meetings or Extraordinary General Meetings. The Annual General Meeting is held every year within six months of the close of the financial year on the day set by the Board of Directors.

Extraordinary General Meetings are convened when necessary. According to the Companies Act, an Extraordinary General Meeting must be held when the Board of Directors considers it advisable or when shareholders representing at least one-tenth of the company's shares request in writing that a meeting be held to deliberate on a specified matter. Shareholders have the right to have items included on the agenda of a General Meeting, provided they present their demand in writing to the Board of Directors well in advance, so that the item can be included in the Notice of the Meeting.

The company discloses on its website the date by which a shareholder must notify the company's Board of Directors of any matter that they demand to be addressed at the Annual General Meeting. The date is published no later than by the end of the financial year preceding the Annual General Meeting, and it cannot be earlier than the date four weeks prior to the publishing of the Notice of the Meeting. The Annual General Meeting deliberates on matters set out in Article 10 of the Articles of Association as being the business of Annual General Meetings, and other proposals, if any, made to the General Meeting. The company's Board of Directors prepares an agenda for the meeting.

According to the Finnish Companies Act, the Annual General Meeting takes decisions on matters such as:

- adopting the financial statements
- the distribution of profit
- the number of Board members, their election and remuneration
- the election of auditors and their remuneration
- amendments to the Articles of Association.

Convening a General Meeting

Shareholders are invited to a General Meeting through a Notice of the General Meeting published on the company's website not earlier than three months and not later than three weeks before the Meeting, but in any case at least nine days prior to the General Meeting's record date. The Notice of the General Meeting and the Board's proposals to the General Meeting are also published in a stock exchange release. In addition, the Board of Directors may decide to publish the Notice of the General Meeting in one or more newspapers. The following information is also made available on the company's website at least three weeks before the General Meeting:

- the documents to be submitted to the General Meeting
- draft resolutions to the General Meeting.

Right to attend a General Meeting

Shareholders registered in the company's Shareholder Register, held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation, on the record date of the General Meeting, announced separately by the company, have the right to attend a General Meeting. Shareholders wishing to attend the General Meeting must inform the company of their intention to do so by the deadline specified in the Notice of the Meeting.

Shareholders may attend the Meeting themselves or through a representative by proxy, who must present a power of attorney or other reliable proof of their authority to represent the shareholder.

At the General Meeting, shareholders can exercise their right to speak and to vote. Shareholders are entitled to cast the total number of votes conferred by their shareholding as on the record date. One share confers one vote in all matters addressed at the General Meeting. Decisions are made by a majority or a qualified majority as provided by law and the Articles of Association.

Record of proceedings at General Meetings
The company prepares minutes of the General Meeting, which, together with voting results and the appendices to the minutes that are part of a decision made by the Meeting, are made available to the shareholders on the company's website within two weeks of the General Meeting. The documents related to the General Meeting will be available on the company's website at least for five years after the Meeting. The company also announces any decisions taken at the General Meeting in a stock exchange release issued promptly after the Meeting.

Presence of administrative bodies at a General Meeting
The Chairman and all of the members of the Board of Directors and the President and CEO shall be present at General Meetings. The company's auditor shall attend the Annual General Meeting, and candidates up for election to the Board for the first time shall be present at the Meeting in which the election is held.

BOARD OF DIRECTORS

Composition and term of office
The members of Marimekko Corporation's Board of Directors are elected at the Annual General Meeting. The proposal for the composition of the Board of Directors is prepared by the major shareholders of the company. The term of office of the Board of Directors expires at the close of the Annual General Meeting following their election. According to the Articles of Association, the Board of Directors comprises a minimum of four and a maximum of seven ordinary members. The number of Marimekko Corporation's Board members is set in proportion to the company's size. The Articles of Association do not set an upper age limit for Board members, restrict the number of their terms of office or in any other way restrict the General Meeting's authority in the election of Board members. There is no particular order governing the appointment of Board members. The Board of Directors elects a Chairman from amongst its members. The company's President and CEO cannot be elected to serve as the Chairman of the Board of Directors.

Diversity of the Board of Directors
When preparing the proposal for the composition of the Board of Directors, the major shareholders take account of the company's business requirements and development as well as the strategy of the company. The main objective is to ensure that the composition of the Board of Directors supports the company's business operations, strategy and customer-orientated approach in an optimal manner. Diversity of the Board of Directors ensures the realisation of the aforementioned objective. The diversity of the Board is reviewed from different perspectives. The most important factors for the company are the directors' mutually complementary know-how, education and experience in different fields and different geographic areas significant for the company's business as well as their personal attributes. The diversity of the Board is promoted in particular by the gender and age diversity of the directors. Also taken into account in the composition of the Board of Directors are the long-term objectives of the company as well as succession planning.

Members of the Board of Directors
Marimekko Corporation's Annual General Meeting held on 17 April 2019 elected seven members to the Board of Directors for a term beginning on 17 April 2019 and ending at the close of the 2020 Annual General Meeting. Rebekka Bay, Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén were re-elected as members of the Board of Directors. The Board is chaired by Mika Ihamuotila and vice-chaired by Elina Björklund.

The Board members are presented on pages 90–91 and on the company's website under Investors/Management.

Independence evaluation
The Corporate Governance Code states that the majority of Board members shall be independent of the company. A person without any significant connection to the company other than Board membership is considered independent of the company. In addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company.

The Board evaluates the independence of its members annually. Among the members of Marimekko Corporation's Board of Directors, Rebekka Bay, Elina Björklund, Arthur Engel, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén are independent of the company and its significant shareholders.

Mika Ihamuotila acted as full-time Chairman of the Board from 11 April 2016 to 16 April 2019 pursuant to a separate service agreement governing his full-time chairmanship. Since 17 April 2019, the position governed by the service agreement has been on a half-time basis. The Audit and Remuneration Committee of the company handles and prepares matters related to the service agreement's terms and Mika Ihamuotila's remuneration.

Duties and responsibilities of the Board of Directors

The Board of Directors is responsible for the proper organisation of the company's administration, operations, accounting and asset management. In addition to the duties specified in the Finnish Companies Act and the Articles of Association, the written rules of procedure adopted by the Board contain further provisions concerning the Board's operating principles and principal duties. The Board reviews and confirms the rules of procedure annually at its constitutive meeting, held following the Annual General Meeting. The Board reviews all matters that are significant to or have long-term effects on the company's business operations.

According to the rules of procedure, the Board addresses issues such as the following:

- specifying and confirming strategic objectives and policies for the Group and the various business areas
- reviewing and confirming operating plans and budgets for the Group and the various business areas
- reviewing and approving interim reports, half-year financial reports, the consolidated financial statements and the Report of the Board of Directors
- expanding and downsizing business operations
- considering mergers, acquisitions and demergers and restructuring arrangements
- deciding on investments and the acquisition and sale of assets that are either strategically or financially significant
- deciding on financial policy and contingent liabilities related to financing arrangements

BOARD OF DIRECTORS

	Position	Board member since	Independent of the company and its significant shareholders	Attendance
Mika Ihamuotila	Chairman since 2015	2008	No	7/7
Elina Björklund	Vice Chairman since 2015	2011	Yes	7/7
Rebekka Bay	Member	2017	Yes	7/7
Arthur Engel	Member	2011	Yes	7/7
Mikko-Heikki Inkeroinen	Member	2015	Yes	7/7
Helle Priess	Member	2017	Yes	7/7
Catharina Stackelberg-Hammarén	Member	2014	Yes	6/7

AUDIT AND REMUNERATION COMMITTEE

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Elina Björklund	Chairman since 2015	2015	Yes	5/5
Mikko-Heikki Inkeroinen	Member	2017	Yes	5/5
Catharina Stackelberg-Hammarén	Member	2015	Yes	5/5

- approving the Group's reporting, risk management and internal control procedures, and audit and control systems
- approving the audit plan
- monitoring and assessing how related party transactions are part of the company's ordinary course of business and according to market terms
- appointing the company's President and CEO and the members of the Management Group and deciding on their remuneration
- providing instructions to the President and CEO.

In 2019, the Board focused, among other things, on the following subjects:

- development of the company's strategy as well as confirming strategic objectives for the various business areas
- strategic development of the international expansion of the store network and e-commerce
- strategic development of the product portfolio as well as measures to improve productivity in the medium term
- reviewing the design and brand strategy
- reviewing and confirming operating plans and budgets
- assessing the new long-term financial goals
- strengthening market position in Asia, especially in China.

Meeting procedures and decision-making

The Chairman of the Board is responsible for convening and chairing Board meetings. The Board has not assigned responsibility for monitoring any particular aspects of the business to individual Board members. The Board evaluates its performance annually each January under the direction of the Chairman. In 2019, the Board convened seven times. The Board members' attendance rate at meetings was 98.0 percent.

Committees

The Board of Directors elected by the Annual General Meeting on 17 April 2019 appointed an Audit and Remuneration Committee from among its members. The Board elected Elina Björklund as Chairman and Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén as members of the Audit and Remuneration Committee.

The Board of Directors has not established any other committees.

The Audit and Remuneration Committee handles and prepares matters related to the terms and remuneration of Marimekko's executive management as well as other tasks and supervision typically assigned to audit and remuneration committees. These include, for example, the following:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control and internal audit, if applicable, and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit firm and especially the related services offered to the company
- preparation of the proposal for resolution on the election of the auditor
- monitoring and assessing how related party transactions are part of the company's ordinary course of business and according to market terms
- reviewing, overseeing and verifying outcomes of management compensation plans and programmes.

In 2019, the Audit and Remuneration Committee held five meetings. The Committee members' attendance rate at meetings was 100 percent.

Marimekko does not have a Supervisory Board.

MANAGEMENT OF THE GROUP

President and CEO

The Board of Directors elects the company's President and CEO and decides on the terms of the President and CEO's employment agreement. The terms are specified in a written contract which is approved by the Board of Directors. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the employment agreement and the remuneration of the President and CEO. The President and CEO is responsible for the day-to-day management and development of the company in accordance with the instructions and orders of the Board of Directors. The President and CEO is also responsible for keeping the Board up to date with regard to the development of the company's business and financial situation.

Tiina Alahuhta-Kasko has been the company's President since 9 April 2015 and President and CEO since 11 April 2016.

Subsidiary administration
The members of the subsidiaries' Boards of Directors are elected from amongst the Marimekko Group's executive management.

Management Group
The company's business operations have been divided into a number of responsibility areas, the directors of which form the company's Management Group. The company's President and CEO acts as the Chairman of the Management Group. The Board of Directors appoints the members of the Management Group and decides on their remuneration. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the employment agreements and remuneration of senior management. The Management Group has no authority based on law or the Articles of Association.

The Management Group reviews business matters and procedures affecting the entire Group. The Management Group also reviews the operating plans and business development of the various business areas. The Management Group convenes every two weeks on average. Information on the members is presented on page 91 and on the company's website under Investors/Management.

REMUNERATION

The main objectives of remuneration at Marimekko are to promote the competitiveness and long-term financial success of the company, contribute to the favourable development of shareholder value and increase the commitment of the company's key persons.

Remuneration of the members of the Board of Directors
The Annual General Meeting decides on the remuneration payable to the Board of Directors. The Audit and Remuneration Committee of the company handles and prepares matters related to the remuneration of the Board of Directors. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders. A person serving the company under an employment or service agreement receives no fee for the membership of the Board of a Marimekko subsidiary.

According to the resolution by the Annual General Meeting of 17 April 2019, approximately 40 percent of the annual remuneration to the Board of Directors in 2019 was paid in Marimekko Corporation's shares acquired from the market and the rest in cash. In case a member of the Board held the company's shares worth more than EUR 500,000 on the date of the Annual General Meeting, 17 April 2019, the remuneration was paid entirely in cash. According to the decision of the Annual General Meeting, the shares were acquired directly on behalf of the Board members within two weeks from the release of the interim report for 1 January–31 March 2019 or if this was not possible due to insider rules, as soon as possible thereafter. There are no special rules applying to the Board of Directors concerning the ownership of shares received as remuneration. The Board is not, as a rule, entitled to any other financial benefits in addition to the fixed annual payment. Marimekko has not issued loans to the Board members or guarantees or other contingent liabilities on their behalf.

In 2019, the Annual General Meeting resolved that the annual remuneration payable to the members of the Board be as follows: EUR 48,000 to the Chairman, EUR 35,000 to the Vice Chairman and EUR 26,000 to the other members of the Board. The Board members receive no additional fee for attending Board meetings. It was also resolved that a separate remuneration be paid to committee members for committee work as follows: EUR 2,000 per meeting to Chairman and EUR 1,000 per meeting to members.

In addition to the annual remuneration of the Chairman of the Board decided on by the Annual General Meeting, Mika Ihamuotila has been paid a monthly fee of EUR 4,400 pursuant to a separate service agreement with the company. No other fees, such as annual bonuses or benefits, in addition to the above-mentioned, are paid to Mika Ihamuotila. His pension is determined by the statutory employee pension plan (TyEL). The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of Mika Ihamuotila's service agreement and his remuneration.

Remuneration of the President and CEO
The Board of Directors of Marimekko Corporation decides on the salary and remuneration payable to the President and CEO. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the service contract and remuneration of the President and CEO. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders.

The remuneration of the President and CEO consists of a regular salary

REMUNERATION STATEMENT

Fees to members of Marimekko's Board of Directors 2018–2019

	Fee for Board work		Other financial benefits		Total compensation in the financial year	
(EUR 1,000)	2019	2018	2019	2018	2019	2018
Mika Ihamuotila	48	40	70[2]	123[2]	118	163
Elina Björklund	41[1]	30	-	-	41	30
Rebekka Bay	26	22	6[3]	6[3]	32	28
Arthur Engel	26	22	6[3]	4[3]	32	26
Mikko-Heikki Inkeroinen	29[1]	22	-	-	29	22
Helle Priess	26	22	80[3]	80[3]	106	102
Catharina Stackelberg-Hammarén	29[1]	22	-	-	29	22
Total	225	180	162	213	387	393

[1] Including fees for meetings of the Audit and Remuneration Committee.
[2] Monthly fee paid under a separate service agreement.
[3] Consultancy compensation.

In accordance with the resolutions by the Annual General Meeting on 12 April 2018 and 17 April 2019, part of the annual remuneration to the Board of Directors was paid in Marimekko Corporation's shares:

- In 2018, the Vice Chairman of the Board received 859 shares and the other members 630 shares each.
- In 2019, the Vice Chairman of the Board received 538 shares and the other members 400 shares each.

In accordance with the resolution by the Annual General Meeting, the remuneration of the Chairman of the Board was paid entirely in cash in both 2018 and 2019 as Mika Ihamuotila held the company´s shares worth more than EUR 500,000 on the dates of the Annual General Meeting.

Salaries and bonuses paid to the President and CEO 2018–2019

	Salary		Annual bonus		Long-term bonus system		Total compensation in the financial year	
(EUR 1,000)	2019	2018	2019	2018	2019	2018[4]	2019	2018
Tiina Alahuhta-Kasko	321	292	92	38	-	73[5]	413	403
Total	321	292	92	38	-	73	413	403

Salaries and bonuses paid to other management 2018–2019

	Salary		Annual bonus		Long-term bonus system		Total compensation in the financial year	
(EUR 1,000)	2019	2018	2019	2018	2019	2018[4]	2019	2018
Management Group	895	961	106	62	-	104[5]	1 001	1 127
Total	895	961	106	62	-	104	1 001	1 127

[4] Details of the bonus system concluded in 2018 are available in note 4 to the consolidated financial statements on page 38.
[5] 50 percent of the net value of the bonus used for acquiring the company's shares at transaction price.

and fringe benefits, an annual bonus, and a so-called long-term bonus system targeted at the company's Management Group, including the President and CEO. Under the contract between the company and Tiina Alahuhta-Kasko, the President and CEO is, in addition to her regular salary, entitled to an annual bonus, the maximum amount of which corresponds to her regular salary for four months. The principles determining the bonus are confirmed annually by the Board of Directors based on a proposal by the Audit and Remuneration Committee. The President and CEO's pension is determined by the statutory employee pension plan (TyEL). If the President and CEO resigns of her own accord, her term of notice is six months and she is entitled to a remuneration corresponding to her regular salary for six months. If the company terminates the contract, the term of notice is six months and the President and CEO is entitled to a remuneration corresponding to her regular salary for six months. The remuneration in case of termination is tied to a fixed-term non-compete obligation.

Remuneration of other management

The Board of Directors of Marimekko Corporation decides on the salary and remuneration payable to the members of the Management Group. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the service contracts and remuneration of senior management. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders.

The remuneration of the Management Group members consists of a regular salary and fringe benefits, an annual bonus, and a so-called long-term bonus system. The annual bonus is based on the growth of the company's consolidated net sales, operating result and individual objectives separately determined by the Board of Directors. The members of the Management Group fall within the scope of the statutory employee pension plan (TyEL).

The Board of Directors of Marimekko Corporation decided on 14 February 2018 on a bonus system targeted at the company's Management Group. The purpose of the bonus system is to motivate the management, to combine the shareholders' and the management's targets in order to increase the company's value and profitability in the long term and to elicit the Management Group's commitment to the company. The system is composed of two earnings periods, which are 1 April 2018–30 September 2021 and 1 April 2018–31 January 2022. The possible bonus for each earnings period will be based on the total yield on Marimekko Corporation's shares, including dividends. The bonus is planned to be paid half in company shares and half in cash in two instalments. The possible first instalment will become due in autumn 2021 and the second instalment in spring 2022. The shares received as part of the bonus are subject to a two-year transfer restriction. Earning the bonus requires that the person is still working for the company at the time of the payment. The annual maximum value of a bonus paid under the bonus system equals the approximate value of annual gross salary. The system encompasses seven Management Group members, including the President and CEO.

The company's management were able to participate in the personnel share issue arranged in spring 2019. Further information on the share issue can be found in the report of the Board of Directors on page 14. The President and CEO subscribed for 21,865 shares and the other members of the Management Group a total of 1,000 shares in the personnel share issue.

AUDIT

According to the Articles of Association, the company must have one auditor and, if the auditor is not an audit firm, one deputy auditor. The auditor and deputy auditor must be authorised by the Finnish Central Chamber of Commerce. The auditors are appointed in the Annual General Meeting.

The Annual General Meeting held on 17 April 2019 elected KPMG Oy Ab, Authorised Public Accountants, as auditor for the Marimekko Group and the Group companies, with Virpi Halonen, Authorised Public Accountant, as the auditor with principal responsibility. The Annual General Meeting also decided that the auditor's fee will be paid as per invoice approved by the company.

The remuneration paid for audit services in 2019 was EUR 94 thousand. The remuneration paid to the auditor for non-audit services in 2019 was EUR 56 thousand.

The auditor issues an auditor's report in connection with the company's financial statements to the Board of Directors and, as required by law, an audit report to the shareholders. The auditor is present at the Board meeting where the annual financial statements are reviewed and, if needed, at the meetings of the Audit and Remuneration Committee.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

Risk management, internal control and internal auditing are crucial elements of Marimekko's administration and management. The Board of Directors and the President and CEO bear responsibility for organising controls. The Audit and Remuneration Committee handles and prepares matters related to risk management.

Risk management and risks
Marimekko Corporation's risk management is based on the risk management policy confirmed by the company's Board of Directors, which defines the principles, objectives and responsibilities of risk management, as well as the organisation and control of the risk management process.

Risk management principles
Marimekko's risk management aims to safeguard the smooth continuity of business operations and ensure stable profit development for the company. Comprehensive risk management is an ongoing, systematic process which involves identifying and evaluating key risks associated with the company's operations and operating environment. The company's key risks comprise risks which could prevent the company from exploiting business opportunities or jeopardise or prevent the achievement of the strategic objectives of the Group or a Group company, or the continuity of operations or would otherwise have significant consequences for the company, its personnel or stakeholders. Risk management is an integral element of the company's management and decision-making process, covering all of the Group's functions.

A more detailed description of Marimekko's risk management process is available on the company's website under Investors/Management. The most significant risks are also described in the report of the Board of Directors on pages 16–17.

Internal control and internal audit
Marimekko applies the company's internal control principles and operating plan for the execution and monitoring of internal control. In the Marimekko Group, internal control is a process, for which the Board of Directors and the President and CEO are responsible.

The objective of internal control is to provide reasonable assurance that:
- the company's operations are effective and aligned with strategy
- financial and operational reporting is reliable
- the Group is in compliance with applicable laws and regulations
- a Code of Conduct and ethical values are established.

Marimekko's Board of Directors focuses on increasing shareholder value and, in accordance with good corporate governance, ensures that the company has defined internal control principles. The Board's Audit and Remuneration Committee is responsible for monitoring the efficiency of the company's internal control and risk management.

The system of Marimekko's internal control is based on the Committee of Sponsoring Organizations' (COSO) framework, which consists of five key components: control environment, risk assessment, control activities, information and communication, and monitoring.

Considering the nature and extent of the company's business, Marimekko has not found it necessary to establish a separate internal audit function. When necessary, the Board may purchase internal audit services from an external service provider.

INSIDER ADMINISTRATION

Marimekko's insider policy, based on the Guidelines for Insiders of Nasdaq Helsinki Ltd and the Market Abuse Regulation (MAR), describes the main obligations of insiders of Marimekko Corporation as well as the trade reporting of managers and their closely associated persons, and other related regulations and guidance under MAR. The company's Board of Directors confirms the policy.

A more detailed description of the company's insider administration is available on the company's website under Investors/Management/Corporate governance.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement is issued separately from the report of the Board of Directors. It can be found on the company's website under Investors/ Management/Corporate governance.

Board of Directors and management, 31 Dec. 2019

BOARD OF DIRECTORS

Mika Ihamuotila born 1964
Chairman of the Board
Ph.D. (Econ.)
Principal occupation: Chairman of the Board of Marimekko Corporation, 2019–

Primary work experience and key positions of trust:
Executive Chairman of the Board of Marimekko Corporation, 2016–2019; Chairman of the Board and CEO of Marimekko Corporation, 2015–2016; President and CEO of Marimekko Corporation and Vice Chairman of the Board, 2008–2015; President and CEO of Sampo Bank plc, 2001–2007; President and CEO of Mandatum Bank Plc, 2000–2001; Executive Director of Mandatum Bank Plc, 1998–2000; Partner of Mandatum & Co Ltd, 1994–1998; Visiting scholar of Yale University (USA), 1992–1993; Member of the Board of Sanoma Corporation, 2013–; Member of the Board of Rovio Entertainment Ltd, 2013– and Chairman of the Board, 2017–; Chairman of the Board of the Mannerheim Foundation, 2017–

Elina Björklund born 1970
Vice Chairman of the Board
Chairman of the Audit and Remuneration Committee
M.Sc. (Econ.), IDBM Pro
Principal occupation: CEO of Reima Ltd, 2012–

Primary work experience and key positions of trust:
Partner and Director of BIetBI Advisors (Shanghai, China), 2011–2012; Vice President Marketing in Fiskars Corporation's Home division and Member of Executive Board, 2009–2010; several executive positions and Member of Executive Board in Iittala Group Ltd, 2005–2009 and Development Manager, 2004–2005; CEO of Ebit Ltd, 2001–2004; Deputy Managing Director of Merita Securities Ltd (current Nordea), 1998–1999 and Chief Equity Analyst, 1996–1999; Equity Analyst of Kansallis-Osake-Pankki Equity Research, 1994–1995; Member of the Board of Directors and Audit Committee of Finnair Plc 2009–2012; Member of the Board of the HSE Foundation, 2013– and Vice Chairman of the Board, 2018–; Member of the Board of the Finnish-Russian Chamber of Commerce, 2016– and Vice Chairman of the Board, 2018–; Member of EVA Supervisory Board, 2016–; Member of the Board of Business Finland, 2018–; Member of the Board of Taaleri Plc, 2019–

Rebekka Bay born 1969
Member of the Board
BA (Hons) in Fashion
Principal occupation: Creative Director of Uniqlo Global Innovation Center Inc., 2017–

Primary work experience and key positions of trust:
Head of Design and Product of Everlane (New York), 2015–2017; Creative Director EVP of Gap Global Design, Gap Inc. (New York), 2012–2015; Creative Director of Bruuns Bazaar (Copenhagen), 2011–2012; Creative Director of COS (London), 2006–2011

Arthur Engel born 1967
Member of the Board
Economics degree
Principal occupation: non-executive board member; independent advisor and investor at Hilaritas AB, 2013–

Primary work experience and key positions of trust:
CEO of Björn Borg AB, 2008–2013; CEO of Gant Company AB, 2001–2007 and COO, 2000–2001; CEO and several executive positions at Leo Burnett Advertising Agency, 1994–2000; Statoil Svenska AB, 1991–1994; Chairman of the Board of Caliroots AB, 2013–; Member of the Board of MQ, 2014–; Member of the Advisory Board for Economic Studies at the University of Stockholm; Chairman of the Board of Rapunzel of Sweden, 2015–; Chairman of the Board of Pincho Nation Group AB, 2018–; Member of the Board of Ahum AB, 2019–

Mikko-Heikki Inkeroinen born 1987
Member of the Board
Member of the Audit and Remuneration Committee
M.Soc.Sc.
Principal occupation: Chief Digital Officer of Kamux Corporation, 2018–

Primary work experience and key positions of trust:
Head of Digital Commerce of Power International AS, 2015–2018; Marketing & E-commerce Manager and member of company steering group of Expert ASA Oy, 2010–2015; Member of the Board of OIKIO Digital Performance Agency Oy, 2018–

Helle Priess born 1976
Member of the Board
BA (Chinese studies)
Principal occupation: Owner & CEO of Priess Ltd., 2009–

Primary work experience and key positions of trust:
CEO of BTX Far East Asia / BTX China, 2005–2008; CEO of Emborg Foods China, 2002–2005; Retail Business Development Manager of Bestseller Fashion Group (Beijing), 1998–2001; Advisory Board Member of Björn Borg (China) Limited, 2012–2014; Member of the Board of Universal Robots (Shanghai) Ltd., 2013–2017; Member of the Board of Universal Robots (Singapore) Pte, Ltd., 2015–2017; Member of the Board of OnRobot A/S, 2018–

Catharina Stackelberg-Hammarén born 1970
Member of the Board
Member of the Audit and Remuneration Committee
M.Sc. (Econ.)
Principal occupation: Founder and Executive Chairman of Marketing Clinic, 2019–

Primary work experience and key positions of trust:
Founder and Managing Director of Marketing Clinic, 2004–2019; Managing Director of Coca-Cola Finland, 2003–2004 and 2000–2002; Managing Director of Coca-Cola AB, 2002–2003; Marketing Director of Coca-Cola Nordic & Baltic Division (Copenhagen, Denmark), 2000; Consumer Marketing Manager of Coca-Cola Finland, 1996–2000; Marketing Manager of Sentra plc, 1994–1996; Member of the Board of Mint of Finland Ltd, 2004–2011; Member of the Board of Tradedoubler Ltd, 2006–2007; Member of the Board of EQ Plc, 2011–2012; Member of the Board of Stiftelsen Svenska Handelshögskolan, 2011–2016; Member of the Board of Aktia Bank Plc, 2012–2019; Member of the Board of Cision AB, 2013–2014; Member of the Board of Jokerit Hockey Club Oy, 2013–2014; Member of the Board of Scan Securities Ab, 1996–; Member of the Board of Alma Media Corporation, 2009–; Member of the Board of Royal Unibrew Plc, 2019–

MANAGEMENT GROUP

Chairman:
Tiina Alahuhta-Kasko born 1981
President and CEO
Employed by the company since 2005

Members:
Elina Anckar born 1968
Chief Financial Officer
Employed by the company since 2015

Tina Broman born 1969
Chief Supply Chain and Product Officer
Employed by the company since 2017

Kari Härkönen born 1981
Chief Digital Officer
Employed by the company since 2016

Morten Israelsen born 1973
Chief Sales Officer
Employed by the company since 2018

Tanya Strohmayer born 1970
Human Resources Director
Employed by the company since 2017

Riika Wikberg born 1981
Head of Business Development
Employed by the company since 2017

Information on the Board and Management Group members' shareholdings in Marimekko Corporation on 31 December 2019 is provided on page 23.

Information for shareholders

Schedule for financial reporting in 2020

- financial statements bulletin 2019, Thursday 13 February 2020
- financial statements 2019, week 12 at the latest
- interim reports and half-year financial report
  - January–March, Thursday 14 May 2020
  - January–June, Thursday 13 August 2020
  - January–September, Wednesday 4 November 2020.

Silent period

Marimekko has a four-week silent period before the publication of earnings reports.

Annual General Meeting

Marimekko Corporation's Annual General Meeting will be held from 1 p.m. onwards on Wednesday 8 April 2020 in Finlandia Hall (Congress Wing, Hall A), Mannerheimintie 13e, 00100 Helsinki, Finland. Shareholders who are registered on the Annual General Meeting's record date of 27 March 2020 in the company's Shareholder Register, held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation, have the right to attend the Annual General Meeting. A shareholder whose shares are registered on their personal book-entry account is registered in the company's Shareholder Register.

Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so before 4 p.m. on Friday 3 April 2020 at the latest:

- by filling in the registration form on the company's website company.marimekko.com under Investors/Management/General Meeting
- by email to yk@marimekko.com
- by telephone on +358 20 770 6893 (weekdays before 4 p.m. EET).

Any proxy documents should be sent in original to the company before the registration deadline. Notice of the Annual General Meeting and further information is provided on the company's website under Investors/ Management/General Meeting.

Dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.90 per share be paid for 2019. The Board will propose 14 April 2020 as the dividend record date and 21 April 2020 as the dividend payout date.

Financial reports

Marimekko Corporation's financial statements and interim reports and half-year financial report are published in Finnish and English. Printed financial statements are sent upon request to the address provided by the subscriber. Financial information is posted on the company's website under Releases and publications.

Contacts

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